NEW TIMES

January 1992

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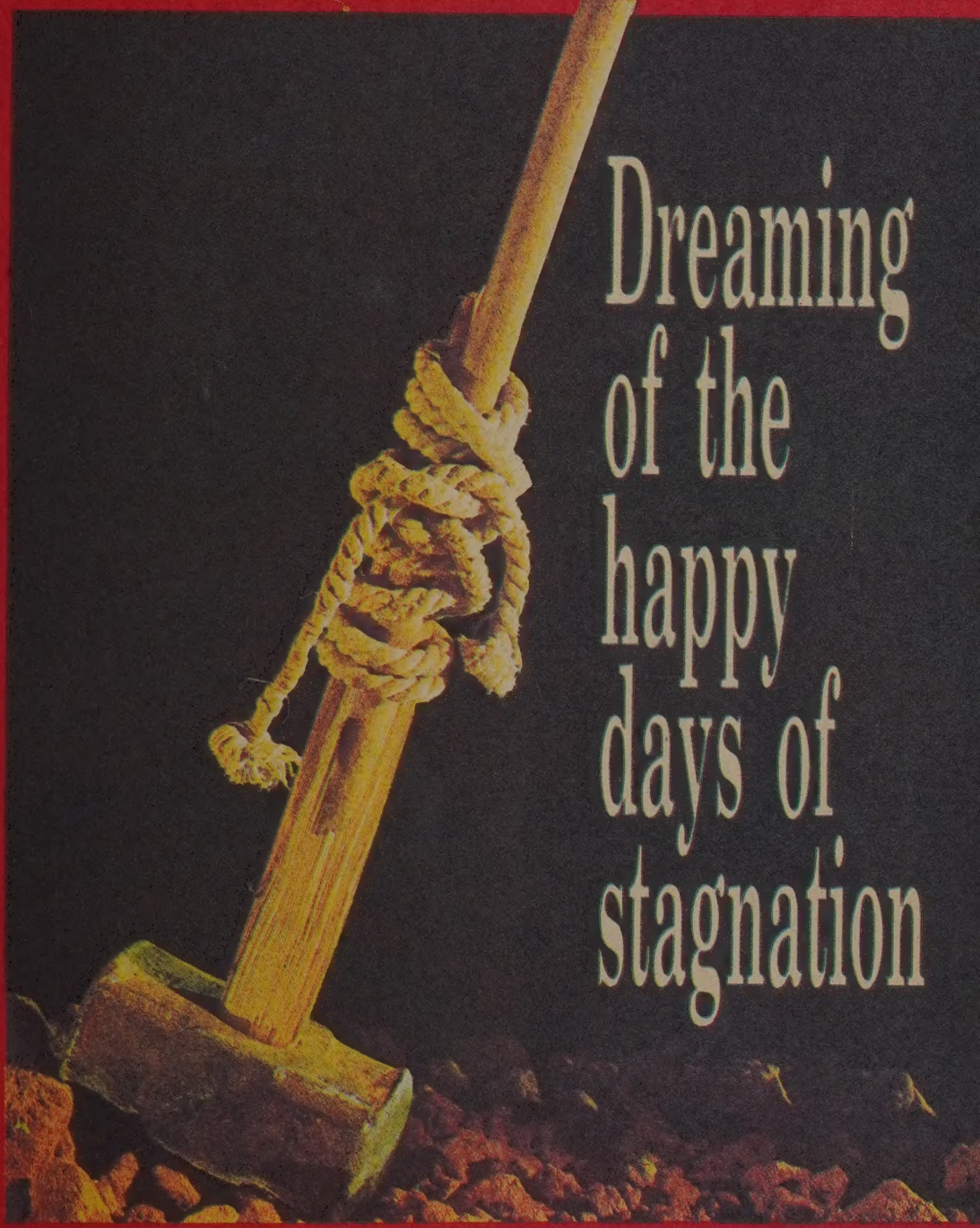

Dreaming of the happy days of stagnation

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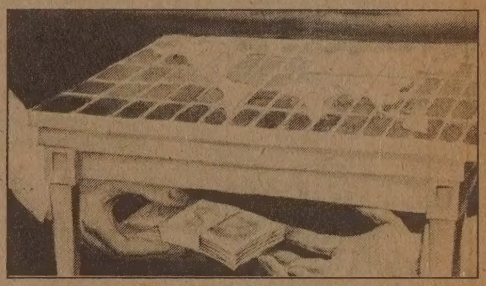

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From our mailbag

■ Why did Russian democrats dislike "alliens"? I don't know whether I am an "alien" myself. At the age of 60 I am living in Ukraine, and I have not learned its language. One would think my interests should be defended by Russian patriots. But for some reason I do not want such protection.

The Russian-language edition of *New Times* carried Pavel Bayev's article "Nuclear burden for Russia" (No. 42/91). Relations between nations are believed to be a delicate matter. Not for Russian patriots, however. Bayev's article is full of insinuations and inaccuracies. The author writes, for instance, that Ukraine is a quasi-state with shaky borders and that it will try to maintain them with the help of nuclear weapons. He also alleges that Russia's territorial claims to Ukraine are lawful.

Those who live in Ukraine do not have another state. Kiev has explained its stand more than once. Ukraine is a non-nuclear state. Perhaps it is merely a declaration and Bayev has proof to the contrary. But the article does not contain such proof. Once a rally was held in the Crimea and Moscow newspapers carried reports about the desire of its population to live under the jurisdiction of Russia about its discontent with increasing Ukrainization. I don't care whether or not the Crimea or Kharkov is part of Ukraine or Russia. Would that change anything? The situation in Ukraine is more stable, non the less. I have been in many parts of the republic, and no one has ever expressed displeasure at my speaking only Russian. Ukrainians are very tolerant.

Now about "Ukrainization". In Kharkov, Ukrainians make up 56 percent of the population, and there are only two small Ukrainian schools there. In the Crimea, there is not a single Ukrainian school or kindergarten, though 600,000 Ukrainians live there.

It is nauseating to listen to some democrats speak on television. For instance, Yury Vlasov complains that Russia is insulted and humiliated. Who has insulted it? Aliens again? The above-mentioned Bayev writes that the main challenge to Russian and European security comes from Ukraine. Thus, an enemy has been found.

It should be said to your credit that *New Times* was one of the last democratic periodicals in Russia to have joined the "noble" cause of stirring up hatred for "aliens." It seems you want to prepare Russians for a stubborn struggle for the lost territories, for lebensraum. Do you realize that this path is fatal to all of us?

A. Turchak
Kharkov, Ukraine

■ "It was not a putsch, but a spectacle staged by Gorbachev and Yeltsin. Yanayev and others are not at all conspirators, but respectable citizens worried about the destiny of the homeland. They are champions of the just cause."

Such are today the arguments of all "genuine patriots," from national patriot Nevzorov

A real, not show, trial is needed

■ The new Russian people's revolution last August has accomplished its immediate goal of thwarting an unconstitutional seizure of power in the Soviet Union and must now proceed by rule of law.

Allegedly, the "putschists" committed crimes and people demand they be brought to justice. This must be done in a fair manner. In Russia's past, such "political" trials have taken place both with legality and without. For example, Vera Zasulich, though probably guilty, was acquitted after a jury trial in Tsarist times, while Nikolai Bukharin, though probably not guilty, was tried and shot after a show trial under Stalin.

Which direction Russian justice takes this time will be important for its current leaders, as well as its international reputation, as the country tries to project a democratic image. Will Yanayev and Kryuchkov, two of the main plotters, and others, be accorded "due process," as the world generally views it?

As of now, the Procuracy or State Prosecutor will handle the entire affairs: arrest, detention, investigation and prosecution. But it would be inherently unfair for one branch of government to deal unchecked with people this way.

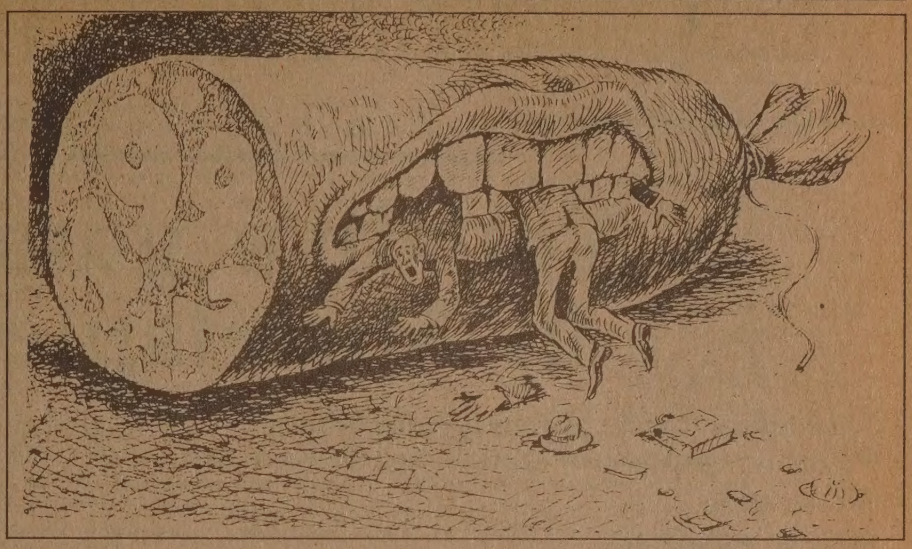
While recent legislation provides for early right to counsel from the time of arrest, as well as jury trials in major crimes, this is not enough to insure fairness. The courts must be brought into the process, and in the following manner: each accused must be taken before an indepedent judge to determine if the arrest was warranted; was there reason to connect the defendant with the crime, and, if so, what specific crime? The acts in question must have been criminal at the time when committed, not pursuant to a later law (ex post facto).

As the investigation may last many months, should the defendant be incarcerated during this time, kept under house arrest or bail set? To properly prepare, the person charged must be allowed

A jury trial for the putschists?

Nowhere to live if the Kuril islands are returned to Japan

A new enemy has been found



Drawing by Igor Smirnov

and time-serving patriot Zhirinovsky to Kunyayev and others of his ilk, representatives of diehard patriotism. It is ridiculous to describe the putschists as champions of the just cause. What is more prevalent in this statement – cynicism or stupidity? I think it is more foolish than cynical. But it is poor consolation.

Zhirinovsky, leader of the Liberal Democratic Party, threatens to become our president in spring. True, it is said that a curst cow has short horns. But who knows what may happen.

F. Ozersky
Vologda, Russian Federation

■ If the Russian President and parliament are guided in their policy and ethnic relations by conclusions drawn by Mlechin in his article *Japanophobia* (No. 44/91), then I and millions of my compatriots will have to live in the woods and marshes in the upper reaches of the Don and Oka rivers, provided Mongolians do not lay claim to them as the land of their former nomads in the distant past. It may happen that the enlightened descendants of some ancient Khazars will say I have no historical right to live in the upper reaches of the Don and Oka or, worse, that I have Ukrainian blood whereas people of Russian origin lived there before.

Where to run then? Baburin, a member of the Russian parliament, criticized Yeltsin, who proposed a five-stage plan for the settlement of the territorial problem. I can only sympathize with Tokyo, which was disappointed that Moscow did not redress another "historical injustice." Having recognized the independence of the Baltic states, the Russians do not want to return the Kuril islands to Japan. I naively adhere to the medieval convictions that territorial gains strengthen a country while concessions weaken it. But, strangely enough, the same views are held by the British, who fought for the Falkland islands, and many other peoples.

Some journalists and champions of world justice impose their own interpretation of archive documents on unsophisticated readers. Perhaps the Sakhalin governor Fyodorov was right in saying that people with surnames like Kunadze (a typically Georgian surname) have no right to decide the destiny of primordial Russian territories.

Vladimir Konstantinov
an ordinary countryman
Altai Territory,
Russian Federation

Compiled by
Tatiana Chernova

through counsel, to subpoena witnesses in his defense, cross-examine hostile witnesses and proceed by established rules of evidence. He needs his own investigator. Given the mistrust that Russians have historically shown towards courts, the trial must not only be public, but possibly televised, to allay latent suspicions. He must have a free choice of lawyers, including maybe consultants from abroad. Finally, defendants must be presumed innocent, with the burden of proving them guilty devolving on the prosecutor. Needless to say, the accused must be granted the right to pick a jury of fair and open-minded people.

While jury trials were allowed in Russia as long ago as 1864, under the reforms of Alexander II, many of these concepts may be new to Russia. (Russia is a civil law country; but so is Italy, which has adopted common law criminal procedure.) Nevertheless, after the startling and unprecedented events of the Gorbachev era, and especially of recent days, it will be necessary for that vast country of great genius and power, and which has scarcely tasted democracy, to do things it has never done before with a view to building free institutions. It would not be the first time Russia has drawn ideas from the West. For let it be remembered that those lawyers who were the architects of the 19th-century legal reforms, such as S.I. Zarudnyi, D.A. Obolensky and P.N. Glebov, were employed in the Ministry of Justice, as well as in the Naval Ministry. One hopes that today's Zarudnyis, wherever they are, are busy at work, drafting Russia's 20-century reforms.

Paradoxically, a nation's democratic institutions may be said to be judged against how it treats the very enemies of those institutions – in a word, the very poison the people now hate. Such a test for Russia may be at hand.

Nicholas A. Arena, Esq.
New York

POLITICAL LIFE

Yeltsin's game in Mittelspiel

Once again Russia proves its uniqueness. We have a multiparty system, but we have no ruling party

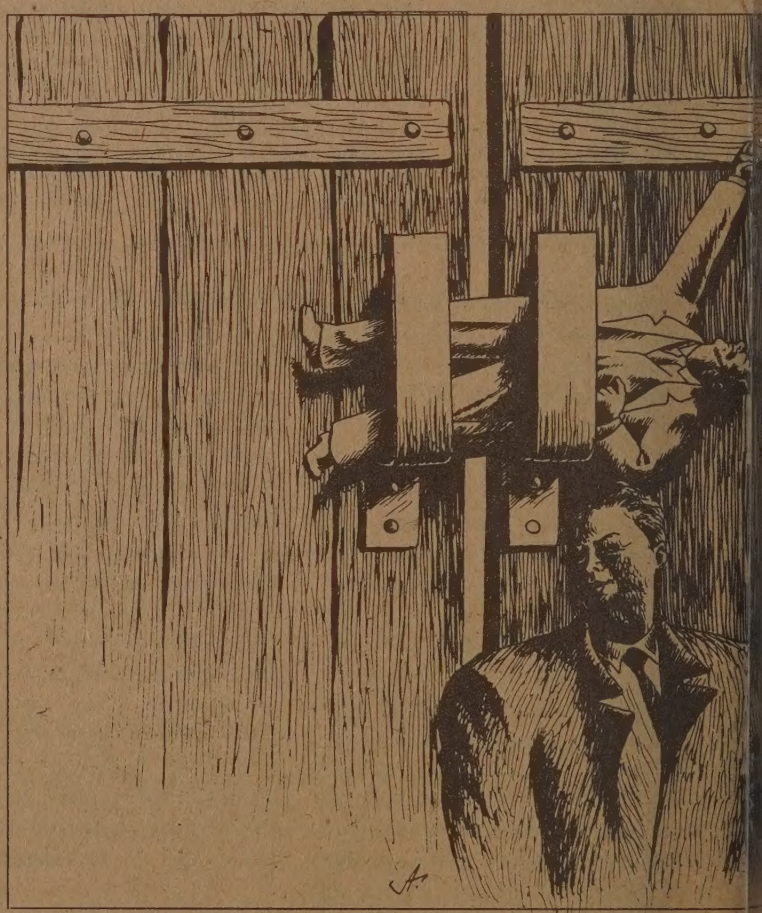
Herman Diligensky

There has arisen a situation unthinkable in a normal pluralistic political system – the demarcation line between the ruling forces and the opposition has become less and less discernable. The government is passionately attacked by those same democrats who have entrusted it with state power. Everything is in utter confusion in the Russian White House; the players of yesterday's contending teams unanimously attack the goal defended by the government. Khasbulatov challenges Baburin in his role as the forward and he is supported by Social Democratic leader Rumyantsev.

"Ours" vs. authoritarian "democrats"

It is easy to explain this situation by the unpopularity of the government's economic policy. However, first, the necessity of unpopular measures was recognized in the democratic camp in advance. Second, according to elementary political logic, the reaction of the opposition to possible mistakes and oversights of the executive power cannot be the same as that of the ruling forces. It's only natural that the former tries to use such mistakes to overthrow the government, while the latter, without making much fuss, try to urge it to correct them. This logic does not work in our country. It is rendered impracticable by the populist model of power based primarily on the people's trust in the popular leader. Essentially, there is only one real "party" in Russia – that of Yeltsin.

Naturally, this model does not provide any stable political "basis" for the government, especially in a complicated crisis situation. As a result, the government becomes surrounded by a vacuum filled with the struggle of "teams," which creates conditions for the manifestation of personal and group ambitions. This struggle follows the same populist logic – its motivating force is not so much the desire to work out a productive political course as to show-off. The criticism of the government is addressed more to the mass audience than to the government itself. Under these circumstances the authority of the highest leader turns out to be the only factor capable of preventing the catastrophic destabilization of power. This is, in fact, what happened at the Russian government's last session. The demand for the government's resignation was temporarily with-



drawn under the President's direct pressure. But for how long will this extreme measure be effective? Its repeated use will increasingly jeopardize the leader's position. If Yeltsin loses the support of the masses, the entire power structure will collapse.

The polemics around reforms unveils the new balance of forces which began to form immediately after the August putsch. The former bipolarity of the Russian political spectrum – the irreconcilable opposition of the conservatives and democrats – has become a thing of the past. To be more precise, the conservative pole of this spectrum is not disappearing, rather it is growing stronger. A rapprochement of its ex-communist and national-patriotic wings is taking place and new parties and movements – Russia's National Union, the Party of Revival, Nevzorov's Nashi ("Ours"), and a lot of other miniature Communist parties – are being formed. Instead, centrifugal tendences are gaining momentum in a democratic milieu. Alongside the old demarcation line of political forces (favouring or opposing democratization and transition to a market economy), there have appeared at least two new ones.

Photo by Arkady Gursky

First, the disintegration of the Union and the threat of disintegration of the Russian Federation have become the priority problem for Russian politicians. Different attitudes towards Russia's future political organization and the principles underlying its relations with former Union republics have split the democratic bloc.

Second, the dilemma of parliamentary democracy or authoritarianism, which has quite recently separated democrats and the conservatives, has now divided the democrats themselves. During recent months Gavriil Popov, who insists on "not making haste" with democracy and demands the creation of something like a new version of totalitarianism, has come to the fore as an ideologist of the new, "democratic" authoritarianism.

A trend which is neither democratic nor die-hard conservative is gaining strength on the political scene. It can be defined as "great-power authoritarian reformism." The orientation towards authoritarian power, nostalgia for the unitary state and the slogan of a unitary and indivisible Russia appeal to conservatives, while the market ideology attracts democrats. Close to this trend are parties making up the Popular Concord bloc (Travkin-headed democrats, Christian Democrats, Constitutional Democrats), which uphold radical market-oriented reforms and parliamentary democracy but rejects the disintegration of the "empire." Alexander Rutskoi's political comrades-in-arms and moderate modernist neo-Communists (the Socialist Labour Party of Anatoly Denisov and Roy Medvedev) make up the right wing of the great-power authoritarian reformists. It can not be ruled out that this trend will in the long run gain the support of the Movement for Democratic Reforms, too.

A reserve team

The Movement for Democratic Reforms (MDR) has played different roles at different stages of its rather short existence. Its appearance was, it seems, an attempt to unite part of the old political élite (reformists from the former CPSU leadership and Gorbachev's circle) with the new one which emerged from the democratic movement in the face of the growing destabilization of power.

The MDR appeared as a sui generis centrist or left of centre "party of law and order." In the post-putsch period of consolidation of Russia's leadership and disintegration of Union structures, the MDR political platform took on a rather ambiguous character. The reformist and democratic aims reflected in its name are as yet unclear, especially as no unity is observed in the MDR's central leadership in matters of reforms and democracy. Gavriil Popov's authoritarian programme or Alexander Rutskoi's anti-reformist outbursts are a poor match for the liberal democratic position taken by Stanislav Shatalin, Alexander Yakovlev and Eduard Shevardnadze.

The MDR founding congress in December 1991 showed that the Movement remains unable to clearly define its political line, wavering between opposition to the government and a restrained dissociation from its reformist course. In short, its role at this stage is reduced to forming a "different" (with regard to Yeltsin and movements which support him) democratic reformist force. The leaders of the Movement have not yet agreed on what in fact is "different" about it. Anyway, it is not so important for them, because evidently they want simply to form a reserve team to be enacted if the Yeltsin-Gaidar policy fails. This team must have a reformist façade and, if possible, not deviate too much to the right from the political centre. Evident also is the "union" orientation of the MDR, as well as its closeness to Gorbachev's federalist position and its rejection of the procedure which has turned the Union into a problematic Commonwealth. Even after the Union has been abolished, the Movement tries to play the role of an all-union force.

The main problem the MDR faces is the lack of a mass social basis, which allows many to regard it as an elite or "nomenclature" organization. This does not mean, however, that the Movement does not express any social interests. The movement maintains rather close ties with groups which possess real executive power on intermediate (i.e. below presidential and governmental) levels of state and economic structures. These include functionaries of central and local bodies of power as well as managers of state-run interprises and the military industrial complex (the so called "corps of directors").

Quite probably, it will be the MDR and the structures that support it, who may in time suggest a new model of transition to market economy – transition controlled by the state, monopolists and local "nomenclatura"-sponsored businesses.

"Practical workers" aspire to power

It would be a delusion to believe that the polemics about the policy of Gaidar's team concerns only the tactical aspect of reform or certain concrete decisions made by the government. Regardless of the merits and demerits of the policy it pursues, a much more important problem is involved here – that of choosing a path for the country's further develop-

ment. Gaidar's team may make mistakes in calculations or be inconsistent under the pressure of innumerable hardships and obstacles. It is absolutely obvious, however, that its ultimate goal is transition to a market economy of the Western type, presupposing parliamentary democracy. Boris Yeltsin seems to have the same aim, in spite of his attempts to strengthen executive power for the transitional period and his hesitance in matters of national statehood.

The President and the government's policy threatens the interests of all those forces which are endangered by free competition, equal chances in economics and politics. This is the reason why they are so frantically active and so readily demonstrate their monopolist ambitions (suffice it to recollect the series of Mikhail Malei's public speeches in which he insisted on rejecting of conversion of the military-industrial complex).

Perhaps the meaning of their political stance is best demonstrated by their demands to bring back to power "practical workers," because these "practical workers" are precisely those who are genetically, socially and psychologically linked to the totalitarian system in economy. If they are back in power, they will, beyond all doubt, preserve the monopoly of the state-owned sector, the monstrous militarization of the economy, and the authoritarian-paternalist relations in production and social spheres, supplementing it only by freedom (for themselves!) to reap exorbitant profits afforded them by market relations. These forces are so influencial in our society today that their seizing the supreme state power in the future is very likely. In any case, their chances today seem better than those of their "rightist" contenders represented by both the *lumpenproletariat* totalitarian movement fashioned Zhirinovsky-style and the more respectable great-power ideologists of the Baburin brand. A sharp rise in the activities of overtly conservative movements is possible only in the case of a further and prolonged worsening of the economic situation and the aggravation of ethnic conflicts inside Russia and on its borders. And yet the democratic wing of Russia's political spectrum has good chances for survival and consolidation. These chances will become a reality if economic reform is at least partially successful. And, also, if the Russian leadership proves capable of implementing, within the Commonwealth and in matters of Russia's unity, a policy devoid of hegemonism and aimed at gradually easing tension. However, the democrats' main trump is "vox populi."

Public opinion

One of the paradoxes of Russian reality is that the overwhelming majority of the people retain a moderate trust in the government while politicians and the press, right and left alike, are eager to spill its blood. For politicians the disintegration of the Union and the aggravation of state and national problems was just short of an apocalyptic catastrophe, whereas the majority of "Russian Russia" reacted to all that rather nonchalantly – they are concerned about such matters only inasmuch as they present a danger of armed conflicts and violence and lead to the aggravation of the economic crisis. In general, civil peace and economic stability are much more important priorities for mass mentality than "preservation of the great power." According to public opinion polls, the majority of the population is concerned about the chaotic state of society and favours the idea of a strong and efficient power. However, the majority opposes the idea of restoring a dictatorship asserting itself by violent methods, and resolutely supports the development of a democratic political system.

People perceive the present government – sometimes instinctively – as the first one which really wants to lead the country along this road. (How efficient and successful it is a separate question.) This is precisely the reason they forgive it for the freeing of prices and its catastrophic consequences. However, no one is able to forecast how long this mood will prevail...

Many see a guarantee of economic and political freedom in the development of a "middle class" and free enterprise. It must be noted however, that there is no society in which the bourgeoisie constitutes the majority of the population, and that nowhere do governments and parties recently referred to as "bourgeois" in our country enjoy the support of the "middle" class alone. Salaried employees and wase workers make up the largest stratum of Russian society. Nevertheless, they are – and this is another paradox – the least represented in the political sphere. This is one of the most dangerous sources of political instability, especially as tension increases and conflicts are caused by economic reform.

A relatively "peaceful" settlement of conflicts which would not threaten reforms is impossible without influential parties and movements expressing the hired workers' need for social protection and protecting their specific interests. Such parties which advocate "conflict partnership" of labour and capital and cooperate with trade unions and labour movements exist in most developed contries. In Russia they might rely on new labour organizations supporting Boris Yeltsin's course and the policy of privatization since 1989.

Miners were the first to respond to the price liberalization. Twice in January delegations of Russ miners had an opportunity to pour their complaints out on President Yeltsin and Parliament Chairm Khasbulatov. Republican leaders have managed to talk the miners into dropping their plans c strike – the decisive role in this must have been played by instructions issued by the President to

The government isn't planning more than a year ahead

Alexei MIKHAILOV, a senior expert of the Yavlinsky team which had worked out the 500-Day Programme and is ready, when necessary, to replace the Gaidar cabinet, shares his opinion about the economic reforms in Russia with an *NT* correspondent

New Times. Economists doubt that what happened on January 2 can really be described as price liberalization. What do you think?

Alexei Mikhailov. Actually, the prices of almost all goods were set free two months before the liberalization was announced. There were no prices to set free on January 2. What actually happened was an increase in the state prices which had remained fixed, a measure bringing state prices up to the general level.

The price increase was a forced measure. Wholesale prices have been rising ever since the 500-Day Programme was rejected. Gorbachev put wholesale prices on a bargain basis, but tried to keep the retail prices intact. Inflation, however, could not have failed to affect retail prices as well. The first price eruption took place on April 2. For several months the situation was stable but then prices started climbing again. The second and most recent eruption could not have been avoided: low retail prices were subsidized from the budget and it was impossible to move forward with the great budget deficit that we had...

In no other country has price liberalization been carried out so recklessly. It was necessary to accumulate at least some reserves of goods, on the basis of import or credits. It was necessary to give shops selling goods at free prices the status of independent juridical persons. However, baker's continue to sell bread at prices set by regional trading departments. What is happening now is not price liberalization, but rather price decentralization when local bodies assume the formerly centralized functions of price setting.

N.T. President Yeltsin has declared that there will be no budget deficit this year. How realistic is this statement?

A.M. If the government had actually been committed to a deficit-free budget, it would have asked the parliament to prohibit the use of Central Bank credits. However, the government preferred to have a free hand.

Budget estimates for this fiscal year plan a very low deficit. I do not think this is realistic. It is believed, for instance, that there is not going to be any indexation for inflation in the first quarter. I do not think the government will hold on to this position.

N.T. What is your opinion of the new taxation system?

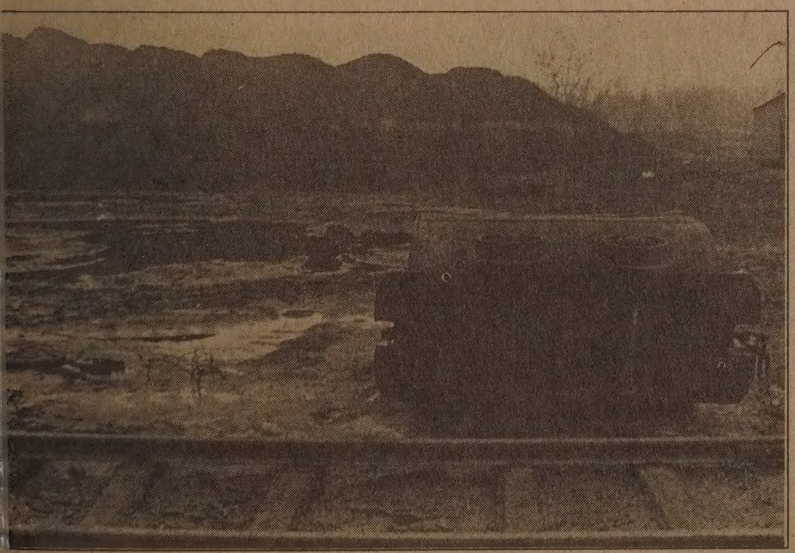
A.M. The system is made in such a way that the price increase connected with the new taxes is passed on to every next production stage, while the customer pays the entire amount of VAT. I believe that the collection of VAT will entail tremendous difficulties. It is difficult for me to see how a new taxation system can be adopted in just two weeks: tax authorities do not know how to levy the new taxes, bookkeepers have not learned to calculate and transfer them and there are almost no sanctions for tax evasion.

Trade unions and workers' movements demand wage hikes, while the business quarters press for the reduction of taxes and abolition of VAT on investments. Under pressure from all directions, the government will not be able to avoid new budgetary expenditures. Actually, the government does not even intend to do it. The strategy of the government is to increase inflation to a very high level. This is a purposeful policy.

N.T. The government must understand, however, that its actions may result in social upheaval...

A.M. From the economic point of view, the pattern of reform is very simple. First, you unleash inflation. Then you carry out a tax reform to maximally adjust budget revenues to growing prices – the higher the prices, the greater the budget revenues. As for budget expenditures, they will be fixed and connected with natural indicators. The intention is to cut spending as prices rise.

The economy is not ready for high inflation, and indexation will not be able to stay abreast of the price growth. As a result, the faster prices grow, the closer the budget will be to the deficit-free ideal.



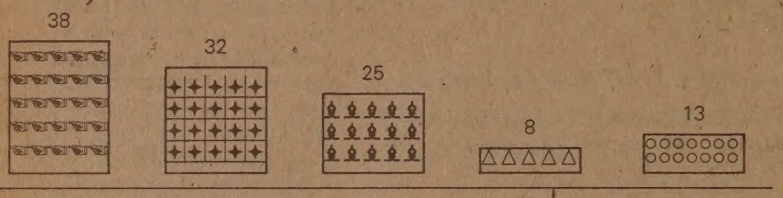
nment in the miners' presence. Will the pain-killer's effect last long? The only reason for e's tolerance is the authority of Boris Yeltsin. If no stabilization is observed in March, contrary dar's repeated assurances, the miners and the whole nation may finally lose patience

Photo by Yuri Gripas

SOCIOLOGICAL SURVEY

Prof. Boris Grushin's Vox Populi Poll

Fear, Love or Interest?



What is the underlying sentiment of the interest currently demonstrated by many developed countries to the peoples of the former Soviet Union? (Each pollee could give several answers).

1 – fear that the crisis in the former USSR could be dangerous for other countries;

2 – the desire to cash in on this country's troubles and turn it into a source of cheap raw materials;

3 – the desire to help peoples of the former Union become members of the international community;

4 – the desire to provide for the economic prosperity of all countries;

5 – hard to say.

Fear has been quoted as the main motif by 38 percent of Russians. This opinion seems to reflect the reality of today's world. One must remember, though, that fear is not the best sentiment to be guided by. Another 38 percent of the polled believe the West wants to profit from our troubles. If this is really so, there is reason for optimism.

It is necessary to note that the first view is taken by almost 50 percent of young people polled (as opposed to one third of the older people polled), as well as by better educated people (50 percent against 13 percent with a seventh-grade education or lower education). The response to the second view was almost identical over all groups of pollees except regional groups (the Volga Region and the North Caucasus), where 42 percent gave preference to it.

The total number of people polled was 2,000.

Janaury 1992

Today the government believes that it is impossible to carry out any stabilization measures for purely political reasons. Tough measures, such as control over incomes, country over money emission, rigid budget policies, convertibility of the ruble, are impossible to carry out: the people will not accept them, the parliament will not endorse them and the President will not sanction them.

N.T. Does the Yavlinsky centre have its own economic recovery programme?

A.M. We are working on such a programme. However, there are several very simple things which should be done immediately.

First, the government must formally announce its plans. It is not good to exploit Yeltsin's authority as a shield protecting measures which are hard to explain logically. Businessmen cannot map out their strategies. The population has no choice but to blindly believe whatever the government tells them. As for the parliament, it is simply afraid to oppose the reforms.

Second, it is necessary to return to the economic community treaty which had already been endorsed by eleven republics. One third of all agreements have been studied and approved by experts of all republics. It was a very complicated and successful effort, but it was rejected too lightly.

It is necessary to return to the concept of concerted economimc policies and to drop the plans for independent economic recovery measures in each republic. If the Ukraine introduces coupons, rubles will flood Russia immediately, resulting in a tremendous price leap. The Baltics are doing the same. In a situation when republics are exporting inflation, Russia's desire to have a deficit-free budget is economically absurd. The policy of price and monetary stabilization only makes sense in the context of an integrated monetary space.

Third, it is necessary to submit the economic reform plan to international economic organizations and to have Russia admitted to the IMF and the World Bank. It would be even better if several republics joined the IMF and the World Bank simultaneously, for example, in the framework of the Economic Community Treaty. Then the government programmes could be backed with foreign credits.

N.T. A rather odd situation is taking shape with the foreign debt of the former USSR. Is Russia going to pay?

A.M. Thanks to our efforts at the meetings with G7 representatives in Bangkok and later in Moscow, we managed to get a postponement of the debt amounting to $7 billion. However, the sum to be paid is over $20 billion and we don't have that much.

I do not think any republic will transfer money to the Vneshekonombank to pay off foreign debts. If Russia stays true to its promises and undertakes the payment of all debts, it will find itself in a rather complicated position: Russia will have to beg for new credits in order to pay debt service, and soon credits will start snowballing.

A critical situation has taken shape. The peaks of foreign debt payments are in 1990, 1991 and 1992. In 1993, foreign debt payments will be halved. We survived 1990-91 by drastically reducing our gold reserve and selling anything we could sell. Now we have postponed the payment of $7 billion until 1993, thus shifting the peak of payments. Then we are going to postpone the debts, interest will accumulate and in three to four years we will be in a situation simimlar to that of Brazil or Argentine where the struggle against foreign debts has become the main national concern.

It is the least difficult decision to just postpone paying the debt. The current government is not going to be around for too long. Even before the price increases Yegor Gaidar was talking about resigning. He is not giving his own government more than one year, and he is not concerned about 1993...

N.T. What is your vision of the future?

A.M. The wave of popular indignation over the price hikes will swell by the end of January. The government will not be able to withstand it. Business quarters will also bring pressure to bear on the government. The government will introduce new social security payments and tax privileges. As a result, a huge budget deficit and galloping prices will already be observed in the first quarter. The Yegor Gaidar statement that in March prices will stabilize and grow by mere several percent is propaganda, pure and simple.

Late spring–early summer will be the decisive time. Either the economic policy will receive a new impetus – a clear and concrete programme, Western assistance, interrepublican agreements, societal consensus, or nothing of the kind will happen and the situation will escalate to the catastrophic level.

Interviewers

Natalya and Mikhail Shchelkovs

Vilnius decides Gorbachev's lot

The papers we have in our possession show that the so-called State Emergency Committee started out long before the August putsch. Its first military police action was taken in Lithuania last year

The following document typed under the letterhead of the Central Committee of the Lithuanian Communist Party proves the Communists provoked the Vilnius bloodbath in January 1991.

"The Central Committee of the Lithuanian Communsit Party believes there is an actual need and are objective conditions in the republic today for the introduction of presidential rule.

"The Sayudis leadership no longer enjoys prestige and respect in Lithuania. It has lost the support of the Lithuanian peasantry, the personnel of USSR subordinated enterprises and most republican enterprises, and the bulk of the intelligentsia and has entered into a relentless confrontation with all national minorities. Even its supporters believe that the introduction of presidential rule in Lithuania will not provoke massive resistance. All that might occur are isolated pockets of resistance by nationalistic fanatics under the head of the departments for the protection of the territory and for security, and from members of the Siauliai (sharp shooters) organization.

"All further delay as regards the introduction of presidential rule in the Lithuanian SSR will give the nationalists time and opportunity to further brainwash the population in a chauvinistic spirit, which particularly relates to the politically immature youth.

"Further, our supporters, positively viewing the results of the Fourth Congress of People's Deputies and Your call to preserve USSR unity, may lose militancy and trust in the Soviet Union leadership, should cardinal decisions be delayed. People are tired of calls and slogans that are not translated into specific action.

"We have worked out the procedure for introducing presidential rule and for the manner whereby such rule should be organized. Basically, this is as follows:

"1. The USSR President introduces presidential rule in the Lithuanian SSR by decree. The activities of Soviets of all levels in the republic are suspended and the Lithuanian SSR Council of Ministers is dissolved. Full plenitude of power within the republic is transferred to a 5–7 man Presidential State Committee (PSC) for the Lithuanian SSR.

"2. To ensure the functioning of executive authority and administration the PSC appoints by fiat:

"a) the Lithuanian SSR Cabinet of Ministers (the Republican Council of Ministers in its present composition is dissolved);

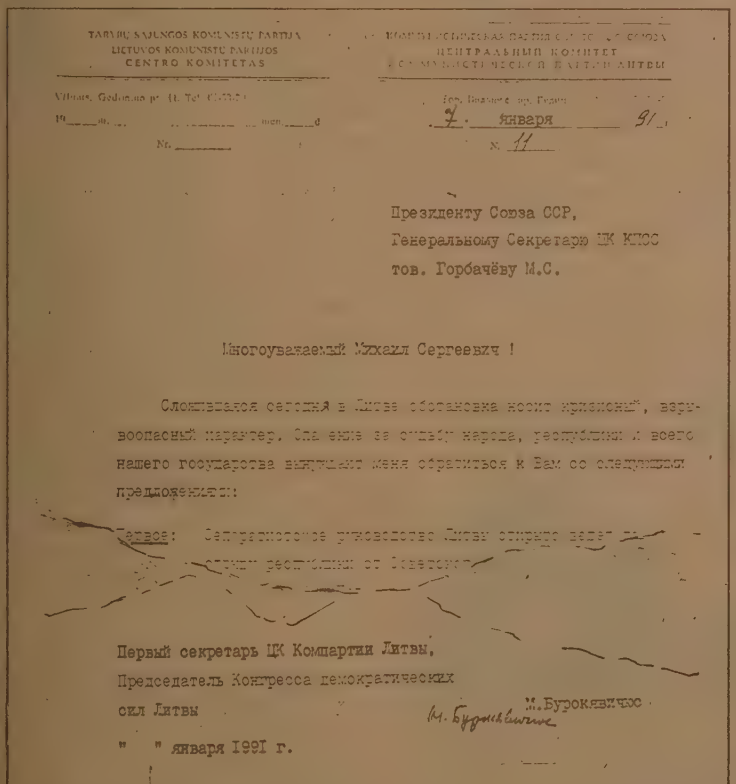
"b) PSC commissioners for cities, towns, districts, enterprises and the main life-support installations;

"c) if needed all other officials throughout the republic (with the exception of the agencies of the USSR Ministry of Defency, the USSR KGB and the USSR Procurator's Office).

"3. Also the USSR Ministry of Defence designates for the republic its own commissioner to control the situation, ensure the safety of vital civilian and military installations, and assist the PSC in emergency situations.

"We have already chosen candidates for all above-listed bodies and will put them before the President for his approval.

"4. We have planned measures whereby to en-



TARYBŲ SĄJUNGOS KOMUNISTŲ PARTIJA
LIETUVOS KOMUNISTŲ PARTIJOS
CENTRO KOMITETAS

Vilnius, Gedimino pr. 11. Tel. [illegible]

№ _____

КОММУНИСТИЧЕСКАЯ ПАРТИЯ СОВЕТСКОГО СОЮЗА
ЦЕНТРАЛЬНЫЙ КОМИТЕТ
КОММУНИСТИЧЕСКОЙ ПАРТИИ ЛИТВЫ

Респ. Башня пр. Гедим.

"7" января 91 г.

№ 11

Президенту Союза ССР,
Генеральному Секретарю ЦК КПСС
тов. Горбачёву М.С.

Многоуважаемый Михаил Сергеевич !

Сложившаяся сегодня в Литве обстановка носит кризисный, взрывоопасный характер. Она вновь за спиной народа, республики и всего нашего государства вынуждает меня обратиться к Вам со следующими предложениями:

Первое: Центральное руководство Литвы открыто ведет [illegible] курс республики от Советского

Первый секретарь ЦК Компартии Литвы,
Председатель Конгресса демократических
сил Литвы М.Бурокявичюс

" " января 1991 г.

The Lithuanian Communist Party's appeal was to spur Gorbachev to take decisive action

sure maximum law and order during the introduction of presidential rule. To this end:

"a) installations subject to control and supervision are listed for the cities of Vilnius, Kaunas, Klaipeda, Siauliai and Panevezys, plans are drafted for their occupation and the persons responsible named;

"b) the necessary contacts with representatives of the USSR Ministry of Defence, the KFB and the ministers of internal affairs of the USSR and Lithuanian SSR are defined and will be made operative when presidential rule is introduced;

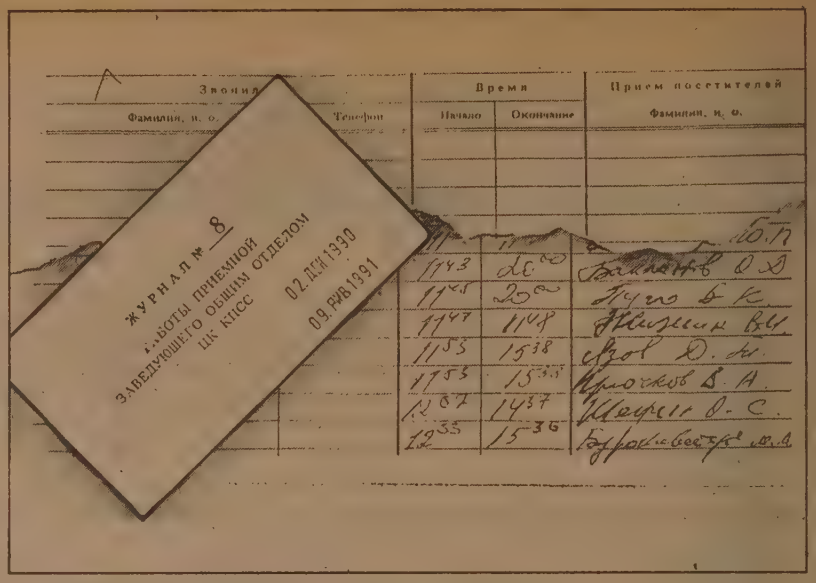
"c) a range of political and propaganda measures has been slated and will be implemented both during and after the introduction of presidential rule.

"5. Following the introduction of presidential rule the USSR Law on the Legal Regime for Emergency Situations of April 3, 1990, will be activated in the major cities within Lithuania.

"6. After the political, economic and legal situation in the republic stabilizes the PSC and its executive structures will make arrangements within the time the USSR President indicates for new elections to the Lithuanian SSR Supreme Soviet and will transfer full plenitude of power to the newly-elected Parliament."

This appeal to Mikhail Gorbachev is dated January 7, 1991, and is signed by Micholas Burociavicius, First Secretary of the Central Committee of the Lithuanian Communist Party.

Actually this Communist Party with its First Secretary were pawns in the hands of Moscow plotters, which is borne out by the second document, i.e., "Register Number Eight of the Work of the Reception Room of the Head of the Department of General Affairs of the CPSU Central Committee." Named in the Register are all who visited or phoned Valery Boldin, chief of the Central Committee Department of General Affairs between December 2, 1990, and January 9, 1991.



Boldin, Gorbachev's immediate aide, was the man behind the plot

Valery Boldin's secretaries were most pedantic. Thus on the morning of January 8 they recorded in the Register of Boldin's visitors:

11.43: Oleg Baklanov, Central Committee Secretary for the Military Industrial Complex.

11.45: Boris Pugo, Minister of Internal Affairs.

11.53: Dmitri Yazov, Defence Minister, and Vladimir Kryuchkov, KGB Chairman.

12.07: Oleg Shenin, Central Committee Secretary for Organizational Matters.

12.33: Mikolas Burociavicus, First Secretary of the Central Committee of the Lithuanian Communist Party.

Note: Boldin, Baklanov, Pugo, Yazov, Kryuchkov, Shenin. Virtually the entire future State Emergency Committe membership met at Staraya Ploshchad five days before the Vilnius bloodbath. The conversations at which Burociavicius was present continued for exactly three hours. Shenin left earlier, but returned later in the evening at 9.50 p.m. Kryuchkov and Yazov emerged from Boldin's room two minutes after Burociavicus left. Subsequently Kryuchkov phoned Boldin twice and revisited him at 9.30 p.m. Yazov also telephoned. Oleg Baklanov and Boris Pugo conferred with Boldin the entire day till 8 p.m. Pugo left and phoned Boldin at 9.30. Meanwhile Baklanov revisited Boldin much later and conferred with him for another three hours. They seemed absolutely unable to tear themselves away from one another. They were busy discussing Lithuania's lot.

Lithuania's Parliament declared the republic's independence on March 11, 1990, and with every passing day Moscow realized more and more fully that the process could be checked only by force. Virtually all Lithuanians in the republic backed the policy of independent statehood. Supporters for the USSR were to

The former leaders of the currently banned Lithuanian Communist Party: Mikolas Burociavicius, First Secretary and CPSU Central Committee Politbureau Member. Central Committee Secretary Juozas Earmalevicius, who was to head the government that was to be formed after the putsch. Maj-Gen. Algimantas Naudziunas, Central Committee Secretary, a political officer who had been shifted to Lithuania in May 1989. The Lithuanian Procurator's Offices are trying to run down all three on charges of complicity in the Vilnius January putsch. According to available information, they are sheltered by the army

be found mainly only among non-Lithuanian residents. The Communist Party split on the national issue. Most Communists with Brazauskas at their head backed secession from the USSR. Very few Lithuanians remained among those still loyal to Moscow. At that point through the agency of the USSR Armed Forces Central Political Administration Lithuanians from among army political workers were transferred to Vilnius and appointed Central Committee secretaries and department heads. However, as the First Secretary necessarily had to be an "indigenous resident," and as there were but few to choose from, the name of Mikolas Burociavicius surfaced. Though elderly and formerly a middle echelon party functionary and later an ordinary instructor, he demonstrated complete devotion to the CPSU Central Committee and full readiness to fight his own people.

To be observed from mid-1990 on was a wrangle over Lithuania between two factions in the Moscow leadership. Alexander Yakovlev and others urged negotiation and rational compromise with Lansbergis. However the diehards demanded that Gorbachev "introduce order" in Lithuania. By now we know for certain who headed the diehards and who undertook to decide the "Lithuanian issue."

After the abortive August putsch Mikolas Burociavicius and his colleagues in the Central Committee Secretariat, whom the Lithuanian Procurator's offices are trying to run down, are hiding somewhere at installations of the Soviet army. For the time being, it is impossible to ask Burociavicus who actually summoned him to Moscow. Boldin? Or Shenin?

Though he brought to Moscow a six-page appeal to Gorbachev, one can hardly believe he and his colleagues from the Central Committee Secretariat had drafted it. Judging by its wording and arguments Kryuchkov's office drafted it. Burociavicus was needed to exert pressure on Gorbachev. The President's acquiescence was called for to implement a military police action in Lithuania. Hence the need to shore up the arguments Kryuchkov, Pugo and the others had put forward, which could be abbreviated to "The Party asks for support!" Though small group of Orthodox Communists indeed wanted fire power, the Vilnius action was sought still more by those in Moscow who initially met in Boldin's room and subsequently at a secret KGB installation.

Burociavicius is hidden not only to save him from punishment, but also to prevent him from revealing who actually had run him and how.

"The life and safety of the supporters of the Soviet system in the republic are menaced," Burociavicius declared to scare the President. "Lithuania's secessionist parliament is rushing through laws to furnish legal foundations for severe reprisals, up to death, against Communists."

He trotted out what he believed hard-hitting arguments.

"There has been instituted an operative subdivision of the Department for the Protection of the Territory, which by its activities is demoralizing the population and provoking sundry clashes and physical scuffles." Not too grammatical, but that is not really important. "The activities of the LSSR KGB are paralyzed. Crime is mounting at a menacing rate... For 1991 the republic has no contracts for the supply of crude materials and complete plant..."

The final argument was: "There is information as to the preparation in the republic of a coup d'etat by forces of the Lithuanian security department." Burociavicius does not bother to present proof. "In our view," he concludes, "this act is inspired by Western special services and emigrè centres."

What came next?

Gorbachev did not sign the decree to introduce presidential rule in Lithuania.

However, just one day after the State Emergency Committee members had met in Boldin's room with Burociavicius, Gorbachev demanded of the Lithuanian Supreme Soviet that it reactivate the USSR Constitution within the republic, and added the warning that "the situation is reaching a deadlock." Special KGB task forces and paratroops had already been moved to Lithuania.

A day after Moscow-based newspapers reported the creation in Lithuania of a National Salvation Committee which "resolved to take power into its own hands." Its composition was kept secret but Communsit Party Central Committee Secretary Ermalevicius acted as its spokesman.

The *Pravda* correspondlent indignantly reported from Vilnius that afloat were provocatory "rumours as to paratroopers and military in mufti and of preparations for a take-over."

On January 11 Pugo's internal troops seized the Press House, the city-to-city telephone exchange, and other key installations in Vilnius and Kaunas.

A day after Yazov's soldiers and Kryuchkov's men stormed the TV Centre and, killed thirteen people.

In Moscow Pugo and Yazov said they knew nothing about it. All wonder what Gorbachev would do. Would he go to Vilnius? Express condolence? Disavow the performers? Punish the culprits? Or say: "It's all Okay"?

It is hard to say what Gorbachev really felt then. All these options were open to him. However, instead of choosing one or another he told Parliament that the entire event had come as a total surprise. However he followed this up with a proposal that the Law on the Press be suspended and that controls be imposed upon the mass media. Later this was called a slip of the tongue.

Assailed from every quarter by future State Emergency Committee members, Mikhail Gorbachev apparently acted in his usual manner. When Burociavicius' address was put before him and it was argued that he promulgate a state of emergency in Lithuania, he gave neither yes nor no. He did not sanction the military police operation in Vilnius, but on the other hand, neither did he forbid it. He did not discount Kryuchkov's basic argument that what was taking place in Lithuania had been inspired by foreign secret services and agreed with his ministers that "law and order" should be imposed within the republic.

Having taken counsel in Boldin's room with the CPSU Central Committee secretaries, Yazov, Kryuchkov and Pugo set about imposing order by means of the facilities at their disposal to wit tanks and tommy-guns.

The core of the future State Emergency Committee formed in January 1991. It has now been established that throughout January alone Krychkov, Pavlov, Baklanov et al met eight times in Boldin's room at Staraya Ploshchad. They modelled the putsch in a proving-ground action in Lithuania.

Decided during those January days was more than the fate of the thirteen killed in Vilnius. Decided too was the lot of Gorbachev as USSR President.

Leonid Mlechin

DISCUSSION FORUM

Invitation to the Third World

Leonid Alayev
Editor-in-Chief of the journal *Vostok*

Now that the words "communism" and "imperialism" have disappeared from the political vocabulary, it turned out that our knowledge of the Third World was based on dogma and fallacious policy

Russian society no longer wants to hear about the suffering peoples in Third World countries, or about the constant achievements or temporary defeat of progressive forces, about the "progressive nature" of the unprofitable state-owned sector of economy, about "neocolonialism" which insidiously imports capital (i.e., up-to-date technology and equipment) and, in order to "tie" a country to its "train" helps it to quickly develop and raise the standard of living.

Studying from the "underdeveloped"

There is no "imperialism" as a reactionary system impairing development. This is nothing more than a bugaboo used by various countries' political elite to explain the consequences of their own incompetence. Unfortunately, "imperialism" is also a convenient cliche allowing the intelligentsia, both nationalist and pro-communist, to feel a "progressive" or "genuinely national" force to thus enhance its self-esteem.

The "anti-imperialist struggle" is either a manifestation of obscurantism or a pretext for internal political struggle for power. Direct parallels are particularly indicative and convincing here. Such is, for instance, the comparison of the thesis of "imperialist intrigues" and Soviet ideology of "capitalist encirclement" of the 1920s-30s, or that of the ideology of our home-baked "organicists" and Negritude.

It is of primary importance for Russian scholars to change their attitude vis-à-vis the "progressive intelligentsia" of Oriental countries and to see what we saw earlier, but overlooked because of their "anti-imperialism" – narrowness of thinking, lack of impartiality in judging "friends" and "aliens," latent xenophobia and nationalism even in the case of the seemingly most Westernized intellectuals.

It is no less important to explain to Russian readers that phenomena like the "socialist orientation," the "anti-imperialist struggle," and the search for a "third path" have in God-forsaken countries a solid social basis and they are not to be ignored. This social basis includes all who can't find their place in economic development today (incidentally, this least of all concerns the working class of these countries). It is a mighty force which increasingly gains strength during the initial stages of capitalist development and only later, as capitalism becomes a universal phenomenon, begins to fade out gradually. A country's future depends on whether its ruling circles are able to prevent this "combustible stuff" from exploding without excessively slowing down bourgeois reforms.

And an explosion of that sort is to be avoided at all costs, for it will preclude both development and justice. The leftists, socialists, and even communists may be necessary in every country to complete the political spectrum, to ensure that the interests of all social strata be reckoned with, to humanize the capital and build "capitalism with a human face." But God forbid that they come to power.

A "mixed economy" is a reality in the countries of the Third World as well as the goal of reforms in our country. The mixed economy Third World-style is a result of the understanding that the private sector can't solve all problems, whereas in our country it is the state-owned sector that is not omnipotent, to say the least. The problem to be solved by them is formulated as follows: what industries is it preferable to hand over to the state? We, on the other hand, have to decide which industries will go to a private owner. Nevertheless, there is already some experience of interaction between private and state capital. What can we surmise from it?

It can be surmised that nationalization of capital is not a path to progress, but only a means of solving ad hoc problems – to save an enterprise or a branch of industry from bankruptcy or start some important poroduction that private capital is unwilling to undertake. This remedy **may** help, but it could also fail to help. However, it should be discarded as soon as possible, since it has undesirable side effects. They can't all be enumerated, but the two most obvious are **invariably** observed in such cases – a slump of business activity and the growth of a bureaucracy which has interests of its own and be-

The collapse of common ideals revealed that our friends in the Third World worship only the Kalashnikov assault rifle

Photo from Panorama magazine

gins to pursue them rather than those of the country.

Is the state above all?

A completely free market is nowhere to be found and it is precisely the developing countries that exhibit the greatest number of limitations on movement of capital, prices and commodities. This thesis stands to reason; it only remains to discover its role in our, Russian, economic situation. And its role is clear enough – since full freedom does not exist, let us ban everything and permit nothing.

What is the meaning of state regulation of the economy in the Third World? This is first of all the issuing of licences, procuring of permissions issued by a governmental office to expand production, import and export of equipment and other products. This also includes taxation and state subsidizing of certain branches, usually agriculture and small enterprises. There is even a theory that capitalism in the East is of a special "Eastern" brand, and unlike the "Western" type, is developing in the conditions of violation of the law of value.

So how does state regulation really operate? Every prohibition entails giving increased bribes to the corresponding official. Procuring a licence is primarily a matter of a bribe. The same time-proven method allows one to avoid paying taxes. Fixing a maximum price for some commodity means the latter's appearing on the black market, enriching the intermediary instead of the producer or the consumer. The black market and "hot" money circulating somewhere in spheres inaccessible to the state are the inevitable consequences of any state-regulated economy.

It does not follow that the state must not interfere in the economy. Even the most convinced advocates of a market economy have to "correct" the market. However, violent methods and administrative fever are absolutely intolerable in this delicate matter. Instead, caution and competence are needed. Distrust of the basis, of the free play of economic forces means trust in bureaucracy. Can we trust our bureaucrats as leaders of the economy? To emphasize the state-regulated economy is to protect the omnipotent bureaucracy and the black-market dealers closely connected with them.

When one reads various programmes for overcoming the crisis, official and otherwise, one is tempted to ask if there are no more genuine economists in Russia. Eastern countries have long since become the test site of various methods of control over the economy. It is common knowledge, for instance, that economic growth, taxation and social justice are intricately linked. Growth of taxes usually suppresses economic growth; a similar effect is produced by the increase of state expenditures for social purposes. Meanwhile, our official and non-official economists, publicists and political scientists seem to be concerned exclusively with the budget deficit and "social protection." Let us leave aside social protection, first, because its necessity is indisputable, and secondly, because the above-mentioned characters are least of all concerned about social protection of the economically unprotected social strata.

However, the budget and production are waging a deadly battle against each other. The importance of a balanced budget is self-evident. Yet high tax level undermines production and impairs new investments. Hence the painful question – which is more important? Will a balanced budget stimulate production or will the growth of production support the

budget? And is a balanced budget possible if production is suppressed? It's well known even in countries having no Academy of Sciences that the tax rate can be raised when production is on the rise and it must decrease if production decreases.

That far from all understand it in our country cannot be explained away by mere stupidity. One does not see what he does not want to. Our economists have a different set of values. The interests of the state come first (not those of the nation, of the people). Their desire to control everything proceeds form their profound mistrust of objective economic laws.

Russia is not for sale – forget it...

Angry cries like "We will not allow the country to be sold out and turned into an agrarian and resource appendage of developed countries!" are now often heard in our country. Orientalists could have searched for a country which had sold itself to foreign capital with no hope of success!

As it turns out, neither an agrarian specialization of a country's economy (like New Zealand's), nor its specialization in natural resources (like that of Saudi Arabia or Libya – I have deliberately brought together countries of different political orientation) or its enormous foreign debt (Brazil, Argentina, Mexico and the majority of African states) and their complete integration into the world market (Taiwan, the Republic of Korea) can deprive it of its sovereignty. What really renders a country helpless vis-à-vis an external factor is civil war or famine, neither of which threatens the "sold out" countries. For some reason, civil wars and famines happen in the "most independent of all" countries which don't want to "give up" their independence, inclusive of a complete extermination of their population.

Proud Africans and Asians constantly look for someone to borrow money from, but they don't like being told how to spend it. If the International Bank for Reconstruction and Development or the International Monetary Fund put forward conditions on which loans could be extended (democratization, cutting expenses on administration, army, or prestigious but unprofitable projects) it is considered a terrible "interference in the country's internal affairs." However, a country should not be confused with its government. It would be rather useful to interfere with the affairs of many governments.

Foreign debt as such is a normal phenomenon unavoidable even in a successful economy. But its accumulation reveals the government's **inability** to make use of the loans – it either squanders them or spends them on useless projects, which means that this government has no moral right to demand non-interference in its affairs, because its incompetence hurts the people and not the government itself.

Interference can be carried out from inside or from outside. It is preferable, of course, if a country or its people solves its problems itself. A change of economic policy, even without a change of government, sometimes helps mend the situation. However, the opposite practice is observed – the government remains and there is no one to overthrow it, or governments replace one another, following the same beaten track to bankruptcy. In this case the creditor must set conditions on which further loans are possible, i.e., interfere in internal affairs.

You may strongly dislike it, but what else can be done if you don't understand your own interests, forcing others to think about your own survival?

Some of the reformists counter the accusations that they are trying to turn the country into an agrarian and resources appendage of the world market by saying that our country already is such since pre-*perestroika* times. Although this argument is good enough to crush the opponent, it is not tenable. We were not joined to the world economy, not even as an appendage. If our country had been such an appendage we would have at least a developed infrastructure and a high standard of living now.

And our "capital" is the best!

The question of relations with foreign private capital could be a separate issue. The "progressive" press of a country like India gives the impression that it is besieged by a monster called "Foreign Capital" desirous to break in with its billions of dollars to buy everything and ruin everyone, unless it is held at bay by means of laws limiting the share of foreign capital in joint ventures, preventing export of profits, ensnaring it in nets of red tape. However, everything is just the other way around. No significant amount of foreign capital is interested in a country with "soft currency," politically unstable and controlled by a bureaucracy. The most demonstrative of examples known to me is provided by India after Rajiv Gandhi came to office in 1984. He decided to update the country and liberalized the economy, opening the gate for foreign capital – and was immediately flogged by the left press for having become "right" and "selling out" the country. So what? Nothing special – foreign capital preferred other countries, more politically stable and economically predictable.

The assertions appearing in our press that a lot of foreign companies are going to rush into our country is mere rumor, fed from two opposing sources. One is the essentially noble tendency to take the desired for granted, while the second is an attempt to scare the philistine with a fictitious danger.

Of course, there are influencial social forces which are not interested in large-scale investments of foreign capital. These include not only former and present power structures which are jeopardized by private property, the market, freedom of enterprise, because all this means reduction or discontinuance of their distributive functions, i.e., the loss of real power. There is also the new and ever increasing local class of business people who don't want a strong rival.

Here, I think, is something to be discussed not only among experts in the problems of the Third World, but also between them and Russian advocates of the market. The problem is as follows: the national class of capitalists is indispensable and must be carefully brought up, but in what way? Should it be protected against the world market so that it might grow up in hot-house conditions or should it gain strength in the winds of world competition?

Formerly we had no problems of the kind. Since "national capital" was a priori better than "imperialism," we have always approved of protecting the internal market by customs duties, limiting export of profit, of any restrictions imposed on foreign investors, and called the integration of a country's economy in the world market "submission to the world market." We have not been concerned about the fact that the hot-house for national

capital was built at the expense of the people who paid more for goods of lower quality than they would have paid if the market had been open. Nor was there any concern on the part of governments of "closed" countries which used to feed at the expense of their peoples the "autochthonous" capitalists who were more domestic and docile than any foreign ones. As for the indigenous capitalists, for them it was a paradise on earth.

Perhaps a different strategy is possible? To fill the market with cheap and quality foreign goods (and with capital, of course, although it is much more difficult, as has already been mentioned above), having thus created far from hot-house conditions for the newly born local business structures. Let them fight their way ahead! In this case those who will succeed will be the genuine ones, uncorrupted and viable. However, even if this strategy makes sense, it is hardly practicable. Is it really possible to deprive the bosses of their power and local fat cats of their profits?!

Shameless sergeants as guests of "patriots"

It has now become vogue among our radical intelligentsia to talk of the need for a "strong hand," of the imminence of authoritarianism. References are made to the experience of countries like Japan, South Korea and Chile. It is, of course, very Russian to prove that the "policy of the stick" is unavoidable; to my mind, however, it is a shame when declared by the intelligentsia. But let us discuss the experience of developing countries.

Small private property and market relations existed from the very beginning in all countries for which the "strong hand" proved so beneficial. A "strong hand" can limit something (the unproductive capital, for example) or cut something short (for instance, expressions of social protest), but it is just unable to "introduce" market relations. The market must develop of itself, requiring only freedom from restrictions – a "weak hand," if you prefer.

It is also important to pay attention to the nature of those authoritarian regimes which proved effective. It is either a regime of occupation (Japan, South Korea) in some cases, or pro-Western regimes of the "lackeys of imperialism" in others. The support of an occupying army or the pro-Western political and economic orientation (providing for any amount of foreign currency) prevented the authoritarian ruling circles of these countries from fusing with local mafia-like structures and enabled them to serve the country and not their own interests for a sufficiently long time.

There is one more specifically "Russian" feature of power which in fact turns out to be purely Afro-Asian – the power in all these countries aspires to corruption, looking for anyone to sell itself to. The more authoritarian power is, the more easily it sells itself. The incorruptibility of power in our country can be guaranteed only by openness, only by means of unveiling incessantly the inevitable abuses of power, machinations and covert or overt embezzlement which are bound to flourish on all levels of the administrative hierarchy.

I would like to suggest to Orientalists that they publish an anthology of military coups in Asian and African countries. It would be a sad story in many volumes of the activities of shameless generals (and, sometimes, even sergeants) who have invariably acted in the name of the suffering people and called upon it to struggle against corruption and speculation and for social justice. They were ready, in the name of the "noble" cause of preservation of their power to destroy entire cities, including their own capitals, as well as thousands of their compatriots, and, most remarkable of all, their end was invariably most deplorable. Although good was far from always victorious, evil was invariably defeated, which is inspiring in any event. The salient feature of these generals is their boundless, overwhelming irresponsibility.

"But we are not in Africa!" – one could argue. Sorry, this is not yet an established fact. The wars in Yugoslavia, Georgia and Nagorny Karabakh testify that irresponsible politicians are ubiquitous, as are slogans "justifying" any senseless internecine war.

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Normalizing relations with northern neighbours

A visit without pomp. Relations with northern neighbours are revised

In the past Moscow did not pay much attention to its relations with countries of Northern Europe. In the course of *perestroika* the Kremlin seems to have noticed the region's geographical proximity to the Soviet Union, while the Communist Party leaders noticed the ideological pseudo-affinity with the local Social Democrats. The attempts to normalize relations led to the visit of Mikhail Gorbachev and Nikolai Ryzhkov. The residents of Helsinki, Stockholm and Oslo still remember how the Soviet leaders were whisked off through the streets in bullet-proof limousines.

The recent visit of Russia's first vice-premier Gennady Burbulis to Finland and Sweden took place without pomp. There were no special flights of military transport planes with limousines on board or a crowd of body-guards.

"Ostentatious displays and the squandering of money and energy are simply impermissible for democratic Russia," Burbulis commented when I compared his visit with the previous one.

In Helsinki and Stockholm the second man in the Yeltsin team did not discuss the establishment of special relations. He spoke only about the need for normal bilateral ties. It seemed to be a modest task, and quite recently it was not considered among the priorities. Finland was regarded by the Soviet Union as either a domain or a "little brother." Sweden was believed to be a country receptive to Soviet influence.

The weakening of the Soviet Union quickly changed the situation. Its disintegration became a convenient opportunity not only for republics, which began to leave the Union, but also for its northern neighbours, which felt wounded. Gennady Burbulis said that Russia flatly renounces great-power chauvinism and hegemonism both within the Commonwealth of Independent States and in the world arena. This time the interests of the Russians, Finns and Swedes coincided. As a result, practical steps could be taken towards normalizing relations between their countries.

What does "normalization" imply? Instead of the 1948 treaty, which included military-political articles humiliating for Finland and "advantageous" for the USSR, the first vice-premier of Russia and Finnish premier Esko Aho signed new agreements regulating the political, economic, environmental, and other aspects of good-neighbour relationships and cooperation.

Moreover, the vice-premier said Russia would not object to Finland's applying for membership in the European Community, if Helsinki considers such a step reasonable, of course. After the fall of the East European "bastions of socialism" and changes in Ukraine and Belorus it has become important for Russia to have an alternative and well functioning path to Europe. Finland is an ideal country for this role. In the 1960s and 1970s it actively played this role in the interests of the Soviet Union.

The Russian and Finnish leaders also agreed to economic transparency of their borders. Thanks to this the building of a market-oriented economy can be expedited in Karelia, the Kola Peninsula, and in the St. Petersburg area. Helsinki is prepared to earmark hundreds of millions of marks for humanitarian aid to the border regions of Russia.

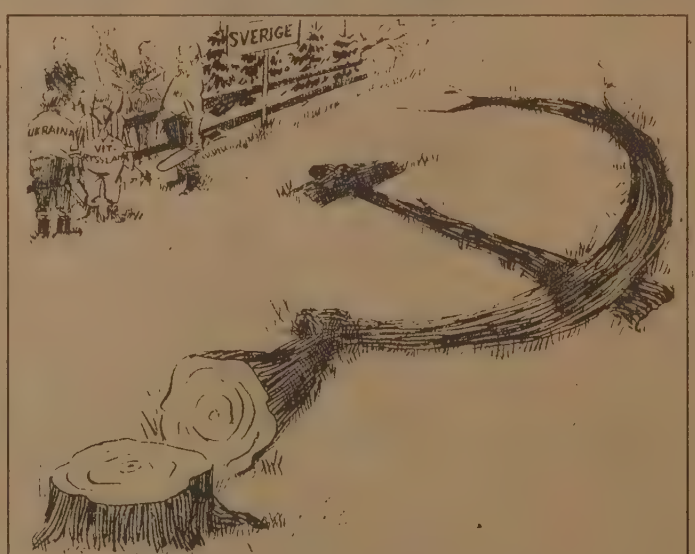
In Stockholm, Gennady Burbulis did not sign any agreements. Carl Bildt, who was recently appointed secretary of state, is known as an anti-communist and anti-Sovieteer, and he readily admitted this in a conversation with the Russian vice-premier. When the latter said he had the same, but even stronger sentiments, things went better. True, Stockholm still does not promise substantial economic aid. However, it significantly points out that a billion kronor has been earmarked for Eastern Europe. However, the Swedes expressed for the first time the desire to have the same relations with Russia as with other European states.

"I think relations can soon become quite normal," Carl Bildt assured me. "We have only to remove problems impeding progress in this field."

One of these problems is the legacy of the USSR, namely, the activity of Soviet secret services, conducted on an excessive scale in Stockholm's opinion, and, as Swedes allege, the continuing submarine activity in the Swedish skerries. As a first step, the vice-premier promised to send the chief of the Russian foreign intelligence service to Stockholm.

Though obstacles, real or otherwise, have not been completely removed, the Swedish government promised to give urgent aid to Russia in enhancing the security of the atomic power stations, in the conversion of the defence industry, and the promotion of agriculture and food output.

The Russian political "offensive" to the north does not seem likely to peter out in the next few weeks. In addition to Yevgeny Primakov, head of the Russian foreign intelligence service, Oslo is to be visited by foreign minister Andrei Kozyrev. If the "spying affair" is settled with Stockholm and progress is achieved jointly with Oslo in the delimitation of economic zones in the Barents Sea, Boris Yeltsin will be able to pay visits to Finland, Sweden and Norway in the spring. The relations of Russia with Northern Europe can then be normalized and it will become clear whether Moscow will be able to build a northern bridge to Europe or if it will continue to use only the "window" on the Russian-Finnish border.



"New neighbours"

Drawing from Dagens Nyheter (Sweden)

Alexander Polyukhov,
NT correspondent

STOCKHOLM

A new round of struggle for a democratic state

President Frederik de Klerk explains his programme of consolidation, but left- and right-wing extremists won't listen to him

Two parliaments were in session in Capetown for several days. The official one convened in a fashionable building put up in the days of apartheid policy, and the other in the city's largest square in front of a bus station. President Frederik de Klerk spoke in the building with columns. In the square, a rally of 40,000 blacks was addressed by African National Congress (ANC) leader Walter Sisulu. Both spoke about the future of South Africa. But they see it in a different way.

The members of parliament met for the first time after a convention of 19 political parties was held in the environs of Johannesburg last December. They began regular consultations on working out the political model and constitution of a non-racial democratic South Africa then. The widely representative meeting was called CODESA (Convention for Democratic South Africa). This organization is gaining real power. This has created serious apprehension among whites: will Frederik de Klerk retain the initiative in his hands and will not the parliament's January session become the last in the history of the state?

The most conspicuous word in Frederik de Klerk's speeches is "consolidation." The President lashed out against those forces in South Africa (both among whites and blacks) who, in his opinion, are going to divide the prospering country into feuding tribal domains. He proposed forming a strong interim government that would function for a long time, until a new constitution is adopted and a new parliament and new institutions of power are formed.

Frederik de Klerk called for a national referendum on the future state system of South Africa. At the same time, he advocates the right of national groups to self-determination, on which the white conservatives insisted earlier. With the help of this manoeuvre the President is trying to draw the Conservative Party into the process of negotiation within CODESA. Until now the party boycotted the convention meetings.

Having offered certain guarantees to the white minority, the President immediately tried to accommodate the black majority by supporting its demand that ANC representatives take part in the work of the parliament during the transition period.

In the meantime, the main opponents of Frederik de Klerk did not wait until the end of his speech in the parliament. ANC supporters had already begun to assemble at the city's bus station that morning. It was announced beforehand that a "people's parliament" would meet there. The ANC leaders believe that the time of white minority rule is over. The rally called for an immediate dissolution of the South African parliament.

The President was also attacked by conservative leaders of the white community, who accuse him of betraying the interests of "the white tribe of South Africa."

On the day the parliament began its session I attended a meeting of the Pan-Africanist Congress (PAC), which has not stopped its armed struggle for an immediate transfer of power to the black majority. The PAC's slogans remain the same: "War till complete victory" and "A bullet for every enemy" (that is, a white). Today new slogans have been added to these bellicose calls. The PAC has not accepted the idea of CODESA. Moreover, it accuses the ANC leaders of betraying the interests of the country's indigenous population.

A new round in the struggle for a democratic South Africa has started in Capetown. The positions of all forces have been defined clearly, and it is evident that only chaos and civil war can become an alternative to the President's balanced policy.

Nikolai Reshetnyak,
our own correspondent

CAPETOWN

An idyllic picture of racial harmony, though it is a long way off in South Africa

Photo from Time (USA)

Israeli troops dispersing a Palestinian demonstration

Photo from Stern

Kalinka in Jerusalem

Nikolai Shishlin

As one familiarizes oneself with Jerusalem, however briefly, one cannot fail to be captivated by the magic of the city's dramatic and ferocious history whose almost physical presence can be felt even today.

"It's Arafat"

The relations between Jews and Arabs leave much to be desired, to put it mildly. When I asked an Israeli Foreign Ministry official to take me to the Garden of Gethsemane and show me the Church of St. Mary Magdalene he refused to do it, saying that the car with his licence plates might be stoned there. He suggested that I take a taxi driven by an Arab instead.

Until the intifada began, Jews, especially young people, used to frequent the Arab quarters of East Jerusalem, visiting shops, chatting with vendors and sharing some coffee or mint tea with them. Today this is dangerous.

A small European TV crew which was videotaping the Old Town was surrounded for their protection by three Israeli soldiers with Uzi submachine guns slung over their shoulders. A foreigner, however, can safely roam the narrow streets of the Old Town without feeling afraid. If, for instance, shop windows are closed with steel shutters and the doors of shops are closed in the middle of the day, it's a sure sign that a PLO-sponsored strike is in progress. But commerce should not suffer and vendors still whisper in your ear, trying to get you to have at least one look t their wares. I asked Arab brothers who owned one of the shops: "Why don't you live in peace with the Jews?" "It's not us, it's Arafat. If we disobey him, everything here will be ruined..."

Mideast prospects for the 1990s: duel or dialogue

Actually, groups of foreign tourists led by Israeli guides have no problem getting acquainted with the Old Town, including the Wailing Wall, the Church of the Holy Sepulchre, David's tomb and the Mosque of Omar and ancient ruins near it, as well as with residential quarters within the walls of the Old Town. The guides exchange friendly remarks with the Arabs. They are safe because they serve as middlemen in the Arabs' business with foreigners.

The relations between Jerusalem-based Arabs and Jews are controversial and complicated. The legacy of the years of bitter feuding manifests itself here and there: the price paid for politicians' impotence in solving the Middle East crisis in a peaceful, fair and reasonable fashion.

I cannot imagine how Jerusalem could be divided once again. Such a division would mean that one formula for hatred would be replaced by another, perhaps an even more explosive one. I am not going to take either the Israeli or Arab side in this very old and very bitter conflict, I just believe that Jews and Arabs could live in peace were it not for the endless attempts by politicians to prove "the historical justice" and invent solutions dictated by "supreme national interests," rather than interests of ordinary Jews and Arabs.

Hatred is sterile yet takes a bitter toll in human life.

The intifada continues in the Israeli-occupied territories. However, more hopes are being pinned on the Arab-Israeli negotiations.

"Land for peace" and "peace for peace" seem to be antagonistic concepts. Thus it becomes more important to have a better look at the nuances in the policies of both sides. The toughest stand on the issue is taken by Syria and Lebanon. However, the security belt in the south of Lebanon, where Israeli patrols operate side by side with the Southern Lebanese militia, is not really a very serious impediment to the negotiating process.

The prospect of bilateral talks between Jordan and the Palestinians inspire some hope. There is something to bargain on and to agree on. In addition, Jordan itself is interested in settling Palestinian problems at home (Palestinians constitute a large portion of the population of Jordan). As for the Palestinians, they are tired of the iron grip and dictatorial ways of their irreconcilable leaders who never stop short of punishing their own people.

However, there is no need to simplify things. The negotiations between Israel and Jordan and the Palestinians are not going to be easy. The stance of PLO leader Arafat will have to be taken into account.

Nonetheless, the Israeli-Jordanian border remains the most peaceful one except for the border with Egypt. Israeli border guards who patrol the banks of the Jordan sometimes violate the rules and take a dip in the water. Spotting an on-coming Israeli inspection team, Jordanian border guards warn their Israeli counterparts in a friendly manner, so that the latter can dress and appear before the inspectors. A reserve soldier whom I met near the Dead Sea handed his M16 to me, unfastening the magazine first, and told me: "We don't have any problems here."

Indications are that the 1990s will be marked by serious changes in the Middle East. When in the late 1970s Egypt concluded Camp-David accords with Israel, the Kremlin condemned the deal and Arab countries severed relations with Cairo. The Camp-David accords, though, were the first major breakthrough towards a better future for the Midde East. The Madrid peace process has so far been anathemized as well.

Nothing to grieve about

However, the search for a Middle East peace cannot fail to be devilishly complicated. Many in Israel continue to adhere to irreconcilable positions. There is a profound mistrust of the Arabs. Some Israeli politicians who are close to the Prime Minister have stated, for example, that the current US policies vis-à-vis Israel are "actively unfriendly." At a recent international seminar that I attended, Americans were in the majority and Israeli speakers unashamedly lectured the American delegates, accusing the Bush Administration of flirting with the Arabs and ignoring Israel's role as the strategic ally of the US in the Middle East.

The Arab camp is divided and also includes irreconcilable factions. After Saddam Hussein's criminal aggression against Kuwait and the Gulf war, the concept of pan-Arabism has become a purely abstract idea having nothing to do with reality.

Nonetheless, the 1990s may bring happy changes to the Middle East. There is no use grieving about the former role the Soviet Union played in the region. The new role which Russia is only starting to learn is much more exciting and significant.

A dagger as a political argument *Photo from Newsweek*

There are many variants for how events can develop in the Middle East. Even a computer cannot analyze all of them – the situation is too unpredictable. However, the following scenarios appear to be the most logical ones.

I would call the first scenario a routine one. Bilateral talks between Israel and Lebanon or Syria get stalemated too quickly. Participants in such negotiations are unable to remove political obstacles and after several angry speeches, they realize that to continue the dialogue means to waste more time. Supported by Russia and other countries, the United States keeps trying to get the stubborn diplomats back to the bargaining table, but in vain. A long pause sets in. The idea of stopping bilateral talks and discussing more general issues instead is rejected.

The dialogue of Jordan and the Palestinians with Israel is of a more serious nature, but problems exist there as well. The main demand of the PLO (which participates in the peace process from behind the scenes) to set up a Palestinian state is not considered a priority issue. Intermediate steps towards the autonomy of the Gaza Strip and the West Bank are being considered and analyzed calmly. Israel, as well as Jordan, is concerned about ways of assuring security in the region and helping Palestinians not feel like pariahs in their own homeland. Some agreements can be outlined soon.

However, there is one big "but" which incorporates two major problems. The first one is a certain degree of synchronization of bilateral talks between Israel and its neighbours. Hardly anyone of them will ever dare to conclude a complete peace treaty with Israel. The second aspect of the big "but" is the territorial problem...

Another optimistic variant of the result of the Middle East process is possible. All participants in the negotiations must have some reserves, which have not been revealed so far and the content of which remains unclear.

Let us consider the fact that in the past the participant in the Middle East duel knew which side the USSR was on and which the US was on. The Soviet-American rivalry was a constant factor in the political calculations of the conflicting sides. This was in the past, though. Today Russia and the United States are successfully learning to be partners in many situations, including the conflict in the Middle East. This is a very significant aspect.

Speaking about the optimistic scenario, one should not ignore the Egyptian example. This example is not really bad in the eyes of some Arab countries. Extremist slogans and demands are always attractive to some people, but they have never been productive in the region. It seems absurd to me that with the exception of Egypt, Arab countries formally remain at war with Israel.

Dissemination of hatred may be determined by domestic political considerations. I cannot understand, though, what Arab countries would stand to lose if they established stable and calm relations with Israel. I am sure that such relations would only promote the cause of a settlement in the Middle East settlement.

Politicians in Arab countries, Israel and outside the region are busy counting tanks and warplanes, missiles and artillery pieces, keeping a careful record of mutual claims and offences. The offences and claims are real and justified, and arms can and do fire.

However, there are things which are more important than the Middle East conflict itself and which are directly connected with the future of the region. One such thing is water. The lack of water is felt in the Middle East and the North Africa. In combination with rapid population growth, the problem of water is threatening to become one of the greatest problems of the region. It can only be solved through joint efforts, and pooling of capital, resources, brains and good will of all countries.

Are there any water-saving agricultural techniques? Yes, there are. Israel is getting brilliant results from selection, advanced irrigation systems and careful choice of crops. This experience can be available to the neighbours of Israel and is actually available today in the occupied territories. One's imagination fails to picture the Middle East without wars and hatred. If human and other resources, knowledge and various cultures could be blended together, the Middle East could become a huge flourishing oasis. A dream? So far, only a dream.

Compatriots abroad

After the seminar which I attended, there was a concluding dinner with a small concert. Prof. Amnon Cohen announced "a Russian dance tune." Two handsome men wearing Russian-style clothes appeared on stage to perform Khachaturyan's *Sabre Dance* on accordeon and balalaika. Then, to the sheer delight of the audience, they played several really Russian tunes. The public kept demanding more and more. George Swift from America, who had flown a bomber during the war and toasted Victory with vodka and whiskey in the company of Soviet soldiers, was banging a huge fist on the table demanding Kalinka. The fantastic balalaika player from Minsk and brilliant accordeonist from Kiev performed an excellent and passionate Kalinka in the city of Jerusalem.

When the guests started filing out I asked the musicians about their life in the new place. It's OK, people do manage to settle here, although life is a little bit too expensive, they answered.

The "too expensive" bit was often mentioned in my conversations with Israelis. It is very difficult to find a job, especially the job one was trained for. Many people are forced to change occupations. Life is easier for young people, naturally. Older people find it much harder to adapt. A strong wind was blowing on a wide embankment in Tel Aviv. There were few people there. A couple of foreigners were swimming near the shore separated from the sea by a wave-breaker. A lonely man was sitting on a bench open to the wind. His formal suit was decorated with rows of ribbons of Soviet combat awards and the Order of the Great Patriotic War...

It is a great achievement that relations with Israel were finally restored. To say nothing of the diplomatic expediency, this was a very humane move as well. It was inhumane and cruel to let people emigrate and shut the door behind them, without letting them come back and see their relations at least on very short visits.

Normal relations with Israelis provided an opportunity to maintain normal ties with our former compatriots. This is a new psychological state for the new arrivals (olim as they are known in Israel). This is a major prerequisite for the hundreds of thousands of Soviet Jews' becoming a human bridge between our two countries. The new wave of emigration could initiate broad and unrestricted Soviet-Israeli cooperation.

I can't help feeling bitter about thousands of people leaving this country. However, this is their inalienable right. The virus of anti-Semitism cultivated under Communist rule has infected a vast segment of society – the vociferous, ignorant and savage anti-Semites, the mere sight of whom can force anyone into emigration. In this case we at least should not throw stones at the emigrants' backs.

It is easy to destroy and difficult to re-create. A society that is devoted to creation, not destruction, becomes materially and spritually enriched.

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The World Paper

The world of dirty money

THE GLOBAL boom of the mid-1980s has ended in the bust of the early 1990s and the discovery of financial fraud and foolishness around the world.

Scandal has shaken old established firms like Solomon Brothers in New York, founded in 1910, and brought down upstarts like the Bank of Credit and Commerce International (BCCI), founded in 1972. Financiers who were heroes of business a few years ago are now in jail or doing court-ordered public service. In several countries, top politicians and their advisers are under suspicion.

What's new about the wave of scandals is the extent to which they are international. As business has gone global, so have the opportunities for making reckless decisions – and for international financial fraud. Not only have national governments relaxed regulation of financial markets; money now leaps borders leaving only faint trails.

Reports from four continents demonstrate the scope of the scandals and prompt the question: Is a global fraud squad needed to enforce regulations in the global business village?

Dirty money

ASK ANY BANKER to characterize the financial markets of the 1980s and he or she will almost certainly answer "globalization." The world's biggest bank now trade around the clock through a network of offices and contacts that would have astounded the financiers of just a generation ago.

But "going global" has other implications as well. The 1990s have shown that fraud and scandal travel around the world just as easily as cash, stocks and bonds. In the past year, a huge crop of financial fraud has appeared overnight, leaving investors and depositors bemused and angry.

The wave of scandal and opprobrium that hit the financial markets last summer enveloped some of the world's most respected institutions. As regulators, both the Bank of England and the Federal Reserve Board of the US were involved in the BCCI shutdown.

In Germany, the financial community was stunned by allegations of insider trading at Deutsche Bank, the country's most powerful bank and one of the biggest in the world. The charges, which included tax evasion and breach of trust, were contained in a series of anonymous letters to the press.

On Wall Street, the respected securities trading firm of Salomon Brothers was plunged into disrepute following charges that it had rigged the market for government securities. Its chairman and several top executives were forced to resign after the revelations of deception in the market which, despite its mammoth size, has been largely unregulated.

Post-communist Poland last summer witnessed its biggest financial scandal which led to the arrest of a former central bank chief, his deputy and six other bank officials. The former chief, Grzegorz Wójtowicz, was charged with negligence after a private company defrauded the state of at least US$360 million – a substantial sum in the Polish economy.

Yet it pales by comparison with the amounts involved in the multiple fraud at BCCI. Six months after its doors were closed, the bank's losses can still only be estimated at between $2 and $3 billion. The unraveling of not one but several sophisticated frauds will take many more months.

BCCI is still the subject of a British government inquiry and of numerous investigations in the US. Some argue that BCCI is a "one off" case, a unique institution that is unparalleled anywhere else.

Governments have made the regulators' task much tougher by lifting controls on the markets in the interests of competition. The hallmark of globalization in the 1980s was deregulation, intended to sweep away monopolistic practices in financial markets. But in some countries the impact of deregulation has been disastrous. The new freedom given to savings and loan institutions in the US a decade ago was in part responsible for their subsequent failure, and it will cost the US government billions to bail out the depositors of the insolvent banks. Some estimates put the cost as high as $500 billion over the next 40 years.

The City of London, once renowned for its integrity ("my word is my bond"), has been wrecked by scandal since deregulation swept through its markets in the 1980s. Some of the massive frauds have been perpetrated against institutions, others against individuals. As the numbers involved in financial transactions grow larger, so does the temptation to swindle investors.

However, any structure of regulation may be defenseless against massive and deliberate fraud. "No system of supervision can adequately protect financial markets from the kind of widespread, collusive fraud that allegedly took place at BCCI," says Peter Cooke. "Nor should it be expected to do so," he adds.

"The risk of criminal activity is always there," says Jochen Sanio, a senior official at Germany's Federal Banking Supervisory Office. Even Germany, one of the most ordered countries in the Western world, is not immune to the epidemic of financial fraud now sweeping the globe.

Sanio's office was largely spared the ravages of BCCI. But he still recalls the German banker who made loans to fictitious names taken from a phone book and salted away the bank's deposits for his own use. The fraud was only discovered when a bank inspector spotted the name of his father-in-law on the list of borrowers.

But if regulators cannot deal with fraud, who can? Some governments have set up special units that work in liaison with regulatory agencies to investigate possible fraud. The UK has its Serious Fraud Office which has been kept busy with several major cases involving household names like Guinness and National Westminster Bank.

Regulators are making determined efforts to step up their international cooperation to shield the financial system from abuses such as money laundering. The Basle Committee, now headed by Gerald Corrigan of the US Federal Reserve, deals with international banks while another organization, the International Organization of Securities Commissions brings together the regulators of securities firms.

But the two bodies do not always see eye to eye given the different interests of their members. Critics argue that if international fraud is to be tackled seriously it must be done at government level between nations. This could be organized by the finance ministers of the most powerful countries or, preferably, by an independent international body.

An independent organization would include not just the most-developed nations but other countries where fraudsters are wont to hide. BCCI was able to continue its fraud for as long as it did because it had operations in areas of the world where financial markets are only loosely supervised, if at all.

There would be major political obstacles to the establishment of an international fraud squad. Some Third World countries might resent what they could see as intrusion by developed nations. And what passes as crime in these nations does not always carry the same opprobrium in other parts of the world. The offering of commercial bribes is just one example.

Yet governments must grasp the initiative. Having allowed the financial markets to go their own way over the last decade, they cannot ignore the consequences. Adding more regulation is not the answer because, with markets globalized, fraudsters can easily dodge the rules.

Prevention of serious fraud will cost money and that expense will be passed on to taxpayers, depositors and shareholders. But, as airline passengers know, it is better to pay extra for security than to risk losing everything.

Nigel Adam
London, Great Britain

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SUPERMARKET TO THE WORLD

Highway robbery on the road to reform

As the new leadership slogs its way through an overhaul of the country's economic and political systems, crime and fraud have become the most contentious topics in Polish politics.

But the perception of who is stealing from whom often depends on who you ask. In Poland's first free parliamentary election, last October, rightists claimed it was the communists who were stealing by taking advantage of their insider's knowledge to benefit from the sale of state-run businesses.

At the same time, economic reforms have created the conditions for unscrupulous entrepreneurs to take advantage of consumers. Many voting in the parliamentary elections chose parties clamoring for suppression of these "schemers." For people who have spent almost half a century living under a centrally managed economy, the distinction between an entrepreneur and a thief is a fine one.

Thousands of state enterprises are being sold in the current privatization drive. Finding owners with sufficient capital and managerial experience has been one of the program's main stumbling blocks. Few Poles expect the tempestuous transformation of the economy to be an easy or corruption-free procedure. Nonetheless, many have been outraged at what they perceive as widespread fraud by those in charge. Factory directors appointed by the ousted communist government appraised state enterprises far below their real worth and sold them to their own newly formed private firms.

More cautious managers chose not to sell redundant assets, letting them sit idle rather than risk accusations of corruption. Ireneusz Sekula, a former deputy prime minister in the last communist government, is an example of the new entrepreneurs ("nomenklatura operators") who come from the ranks of the former communist regime. "We bought several planes from the former East German airline," he says, "not because they were cheaper or better than the planes I can buy here, but in order to avoid accusations that I bought them too cheaply."

Although they brought the national economy to ruin, some communists have turned out to be capable managers of companies and small businesses. After all, they have the most experience in running enterprises, and still have friends in high places. Thus, the successes of nomenklatura companies can be seen as beneficial for the country. Many, however, would rather interpret their activity as a form of thievery.

And Poland has no shortage of outright thievery. Last year in the town of Pecice, near Warsaw, police commandos – faces concealed by balaclavas, automatic weapons in hand – swooped down on a stylish old palace. Inside, police hoped to find the perpetrators of one of the biggest financial scandals in Poland's history.

Instead, the only person they surprised was a watchman; the only weapons they found were antique battle pieces. The alleged crooks had already fled the country – with over US $350 million in their suitcases.

The Pecice palace was the headquarters of the Art-B Company (short for "artistic business"). Three friends who once played jazz together set up a commercial company, one of thousands like it which appeared at the dawn of economic freedom in Poland. At night they drove a dilapidated truck to Berlin, purchased a consignment of popular consumer items such as coffee, chewing gum, bananas and oranges at a whole-sale outlet, then drove back to the marketplace in Poland. The zlotys they made were immediately converted into deutschemarks, then it was back to Berlin again.

Art-B soon abandoned the overnight truck trips because they learned a type of fraud known in the West as check-kiting. A large sum was deposited in one bank in return for a check worth several millions of dollars; this check was then delivered on the same day, by car or even by helicopter, to another bank; before the second bank charged the first for the check, interest accumulated in both. The ponderous Polish state banks were no match for the crooks; sometimes it took as long as one week for the two banks to settle their accounts.

The investigation into the Art-B scandal is still under way, but it is known that the company obtained documents, including certificates of deposit, in return for bribes. It is suspected that a central bank official was bribed to tip off the company about a planned devaluation of the zloty against the dollar.

The president of Poland's central bank, Grzegorz Wójtowicz, was arrested at a Warsaw train station on charges of negligence in connection with the Art-B scandal. This was seen by many as an overdramatic effort by President Lech Walesa and the government to take political advantage of the scandal before elections.

The most embarrassing affair for the financial authorities was the Foreign Debts Servicing Fund scandal. The public money in that fund was to be used to buy Polish debts on international markets at a fraction of their nominal value. Officials entrusted with this task siphoned off between $10 to $20 million to their own bank accounts abroad.

But swindlers can be found everywhere and Poland's scandals are not nearly as monumental as those involving BCCI, Salomon Brothers, and Tokyo securities firms, not to mention the exploits of Michael Milken. It is impossible to privatize thousands of state enterprises in a relatively short period of time and expect the process to be flawless. Besides, scandal and fraud happened as often in the years of the communist regime, but a censored press was not allowed to report it.

Finally, one sometimes gets the impression that the atmosphere is being poisoned deliberately, that news of swindles and affairs are being generated to make the public feel oppressed and helpless. It is in such an atmosphere that dictators emerge. The actual state of affairs may well resemble the Pecice palace: no armed bandits to be found, just an old watchman snoozing beneath the paintings.

A.K. Wroblewski

Warsaw, Poland

You at the Earth Summit!

New York painter Robert Rauschenberg has created and signed a limited number of prints of an original work, entitled ***Last Turn – Your Turn.*** *Each print has an estimated market value of US$5,000. To encourage response to this survey, one print has been made available as a prize by The Earth Summit Committee to Promote the Pledge. The winner will be chosen by the artist in a lottery in which all responses to this questionnaire will be entered. The winner will be interviewed and announced in the June issue of The World Paper.*

The largest environmental meeting ever, the UN Conference on the Environment and Development will take place in June in Rio de Janeiro. National leaders will sign new conventions and scores of nongovernmental organizations will hold special meetings. The results of this survey will be published in these pages in June and announced in Rio at the conference.

■ How "environmentally sensitive" do you consider yourself?
☐ Highly sensitive
☐ Sensitive
☐ Not sensitive

■ Are you more aware of environmental issues today than a decade ago?
☐ Much more
☐ Somewhat
☐ No

■ If you are more aware, what is the primary reason?
☐ Personal experience of environmental damage
☐ Education in school or on the job
☐ Mass media

■ To preserve the earth's environment, is it necessary to consume fewer goods?
☐ Yes
☐ No

■ What change in your own personal life have you made recently for environmental reasons?
☐ Recycle waste
☐ Bicycle instead of drive
☐ Use less heating and/or air conditioning to save energy
☐ Contribute to environmental causes
☐ Little or no action

■ If further limitation on the use of natural resources like fresh water, and/or petroleum is necessary, would you prefer new taxation to discourage personal use, or rationing imposed equally on all?
☐ New tax
☐ Rationing

■ Would you be willing to pay more for products if they were produced in a more environmentally benign way?
☐ Yes, up to 25 percent more
☐ Yes, up to 10 percent more
☐ No

■ Would you be prepared to pay more for resources if it would improve the environment for your great-grandchildren?
☐ Yes, up to 1 percent of annual income
☐ Yes, up to 3 percent of annual income
☐ No

■ To prevent environmental catastrophe, is it necessary to limit economic growth?
☐ Limit growth
☐ Growth and environmental improvement possible

■ Which of the following do you hold most responsible for damage to the environment?
☐ Industries
☐ Governments, including armed forces
☐ Consumers

■ How do you rate your country's efforts to protect the environment?
☐ Excellent
☐ Satisfactory
☐ Poor

■ Which country do you think invests the highest percentage of its GNP in environmental protection?
☐ USA ☐ Japan
☐ Sweden ☐ Singapore
☐ The Netherlands

■ In your country, do you need more laws or better enforcement of existing laws to prevent further pollution?
☐ More laws
☐ Improved enforcement
☐ Neither

■ Which is the single best way to encourage a polluting industry to comply with existing regulations?
☐ Financial penalty
☐ Tax incentive
☐ Consumer boycott
☐ Temporary closure

■ To save the earth's resources, is the burden more on:
☐ Rich nations to limit their economic growth?
☐ Poor nations to limit their population growth?

■ Do you regard major environmental resources like large lakes and forests as belonging to the country of location, or would international control be appropriate?
☐ National sovereignty only
☐ Some international control

■ Do you think citizens of developed countries should be taxed to help safeguard resources in developing countries?
☐ Yes, to deter consumption
☐ No

■ Do you think developing countries have the right to exploit their environment in the same way industrial countries did?
☐ Yes, it's only fair
☐ No, times have changed

■ To control population growth, China has a one-child-per-family policy, is this:
☐ A fair solution
☐ Reprehensible

■ Does India have the right to encourage the production of a refrigerator for each household if this means increased global pollution?
☐ Yes
☐ No

■ Optional: Describe in 100 words or less on a separate sheet of paper the single action concerning the environment and development on which you would most like the Earth Summit to agree.

■ To assist *World Paper* analyze the survey, please tell us:
Your name: .....
Your address: .....
.....
.....
Gender: ☐ Male ☐ Female
Age group: ☐ Younger than 20 ☐ 20-30 ☐ 31-50
☐ 51-60 ☐ 61 or older
Your occupation: .....

■ To enter the contest, please mail this survey (postmarked not later than March 15, 1992) to:

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The president's success and the triumph of the opposition

Bulgarian and foreign observers believed in early January that the 56-year-old philosopher, Zhelyo Zhelev, the presidential candidate of the Union of Democratic Forces, and poet Blaga Dimitrova, who was run by the UDF as the candidate for the vice-presidency, would win hands down right in the first round, leaving about 20 other contestant pairs far behind. However, the 45 percent of votes collected by the pair proved insufficient to score them a victory. The leading pair was dangerously closely followed by independent candidates supported by the Bulgarian Socialist Party: Velko Vylkanov, deputy of the Popular Assembly, and Rumen Vodenicharov, former leader of the Independent Society for Human Rights.

Alexander Didusenko

Only the second round of voting on January 19 dotted all the "i's" and crossed all the "t's." The voters gave an overall preference to Zhelev and Dimitrova. The UDF secured for itself the key positions necessary for implementation of a political reform: the majority in the parliament (in coalition with the nationalist Turkish party) and the post of the head of state.

Nevertheless, the election results call for a serious analysis. A democratic victory with a 6-7-percent margin is a normal occurrence in a democratic society with a stable economy and definite political interests and sympathies of different groups of the population. However, neither Bulgaria nor many other formerly socialist states qualify as a normal democratic society. Therefore, almost half of the votes going to Zhelev's rivals in Bulgaria and the re-emergence of the socialist electorate registered in the latest elections in Poland testify that forces which came to take the helm of state, riding the wave of nation-wide revulsion at the policy pursued by the former communist regimes, are beginning to lose public support.

The process is quite natural, since unity is more easily achieved for destruction and rejection of the past than for the building of a new future. People differ in their vision of the future. New authorities which try to "revorm feudal socialism into modern capitalism" (the expression is ascribed to Lech Walesa) cannot but resort to "unpopular steps" in pursuit of that objective.

Restoration of market relations, lifting state price controls, and privatization of national property often take on an ugly form of plunder of the population by traders, the commodity and stock exchanges, and state structures. The situation is aggravated by unemployment caused by structural changes in the economy and management and by the destruction of formerly universally accessible (even if largely unsophisticated) public health programs, social security, public education, as well as by the widening welfare gap.

That evil cannot be avoided, but with luck the situation will be improved before long. In line with the conclusion drawn by well-known Russian scholar Pitirim Sorokin back in the 1920s, the "reflex to level the society out," which is innate in communism and socialism, inevitably arises.

It would be naive to believe that the new leaders fail to see this tendency. Speaking at an electoral meeting, Zhelyo Zhelev described the current period as decisive for Bulgaria: a time of ultimate choice between democracy and communism. In their attempt to preserve democracy, the leaders often resort to undemocratic practices held over from the times of "real socialism." The property of Communist parties in Poland, Bulgaria, and Czechoslovakia was simply nationalized, in full accordance with the principle of "expropriation of expropriators." Czechoslovakia has made communist propaganda a punishable crime and a law prohibiting Bulgarian Socialist Party is drafted. No one lends an ear to voices warning that using force against political opposition is often counterproductive, since revolutions usually do not stop with storming the Bastille or the Winter Palace, or with gaining parliamentary majority. It is only the beginning. Evolving into a qualitatively new entity is not like leaping across a pit. Dismantling of the old and construction of the new social relations, state institutions, and legal norms (let alone new ethical norms) represents a lasting and involved (as well as excruciating) process during which it is vital to lose no supporters, as well as to neutralize the opponents and win over the doubting public. Importantly, the opponents are to be neutralized politically, by demonstrating the absurdity of their arguments and the futility of their aims. Whenever that was not done the revolution was doomed: for the Thermidor reaction (in France), or for the 17th CPSU Congress and the 1937 repressions (in the USSR).

Zhelev scored 52 percent of votes. Much by Western standards, but little by Bulgarian...

The 47 percent of votes scored by Velkanov and Vodenicharov in the last elections show that in Bulgaria there is a substantial social basis for the opposition to the political forces currently in power. I do wish that the opposition would prove to be constructive in its role, i.e., that the opposition – sharing the aspirations and goals of the ruling bloc – would keep the latter from making mistakes and stand by ready to relieve the team at the helm of the state at any moment, to ensure that the ship doesn't deviate from its course.

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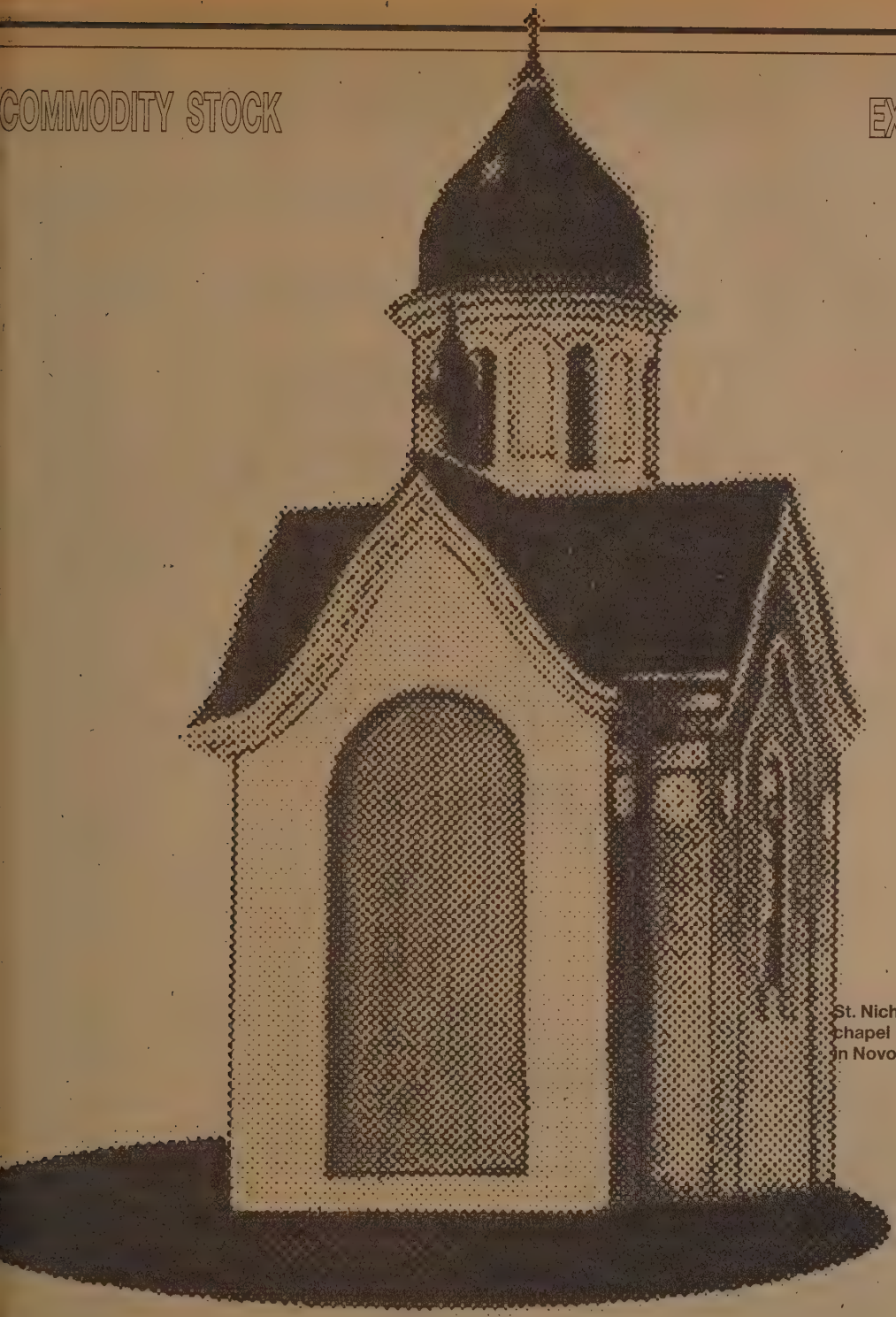

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DESTINIES

The first dissident who fled to the West

Lev Yelin

In 1956 Alexander Dolberg, with a small volume of Pushkin's verses in his hands, fled from East to West Berlin. He was the first Soviet emigrant of the third wave

However, Dolberg's life in the West can hardly be publicized as an example urging others to leave their country. He became an "undesirable person" on both sides of the "iron curtain." Today, 36 years later, Dolberg looks like a man battered by life, though, he is not likely to admit that.

The troubles began when Alexander Dolberg studied at Moscow University. In 1955 he was almost expelled from the Young Communist League for "outrageous and treacherous talk." Dolberg, who was associated with Lev Annensky and Alexander Morozov, said that it was "the beginning of dissidence." In 1956, after the 20th Party Congress, the YCL and party leaders concluded that Dolberg must have had "extensive ties" if, already a year ago, he knew what Khrushchev would say at the congress.

They even apologized to Dolberg. But he understood it would not last long and was sure he would be put into prison for his "inability and unwillingness to hold his tongue." In the wake of the 20th Congress Dolberg received the necessary approval of his YCL branch for a tourist trip to East Berlin, then a rare chance for Soviet people.

Alexander Dolberg could not prove his bona fides

"I decided to run away," Dolberg said. "My conviction was strengthened by the way the leaders of our group treated us in Berlin. They spoke to us contemptuously, as if we were serfs..."

Dolberg ran into the Berlin underground, tightly clutching his passport and a small volume of Pushkin's verses in his hands. He was taking a great risk. The first check-up of papers could end for Alexander in his arrest and imprisonment for ten years. However, he freely reached the American sector of West Berlin.

"Frankly speaking, I didn't know that I would get to the American sector, and not the British one, for instance. In general, I understood **what** I was leaving but I had only a very nebulous idea of **where** I was going. I had a general idea of life in the West, but I did not know the particulars."

Dolberg asked American authorities to grant him political asylum. However, the way he was treated reminded him of the methods used by the "native" state security. It was more than a cruel treatment. Dolberg, as he learned later, was subjected to what is called "hostile interrogation." One day, blindfolded, he was pushed into the back seat of a car where the doors did not open from the inside. He thought that he was being taken to be shot...

Dolberg was locked in a room where the windows were tightly sealed. Every day Mr X demanded that he reveal the military secrets known to him and admit that he was a Soviet spy. "Perhaps it seemed suspicious to them that I knew several languages, but I graduated from the philology department of Moscow University," Dolberg says. "I think many others went through that hell. They were simply afraid to admit that." The young refugee, then 24, sat on his bed and nearly howled.

After 6-8 weeks of interrogation Dolberg was released. He recalls with a smile the pleasure he received from buying a necktie at C & A. It was the first pleasure he received from Western life. However, very soon Dolberg was "thrown into the bottom of Europe," a camp for displaced persons in a suburb of Nuremberg. "They kept the scum in it, those who were not extradited to East European governments because they did not trust their justice. But nor did they want to release the obvious criminals." It was much later that Dolberg understood why he was placed in such a camp.

"There was one more Russian in the camp – Yurovsky, a state security officer who had worked under Beria," Dolberg recalls. "He worked in Poland and ran away on learning that arrests of Beria men had begun. Incidentally, he was a nephew of the Yurovsky who took part in the shooting of the tsarist family."

Yurovsky spent several years in the camp and became a heavy drug addict. Dolberg shuddered with horror listening to his detailed stories about the questioning and torture in the Lubyanka prison.

"He was the embodiment of evel I escaped from."

Yurovsky stole 20 marks which had been given to Dolberg as the first allowance. When the Algerian war began he joined the Foreign Legion, in which he evidently found application for his abilities...

Having violated the internal rules, Dolberg went to Munich. Charles Malamud, head of the Voice of America bureau in that city, showed sympathy for the young man and insisted that his case be reviewed. Dolberg was set free and for a couple of years he lived in Munich, mainly fiddling away and sometimes writing features for the Voice of America. Once a week he was questioned, this time by American intelligence officers. "They were Russians, obviously from among those who collaborated with Germans. My relations with them were bad..."

Finally, German papers were issued to Dolberg. However, this terrible period was never forgotten. Years later, taking advantage of the American law on freedom of information, Dolberg received a copy of his "file" in the Federal Bureau of Investigation. It was marked "classified" and many parts of it had been struck out by a censor. The interrogators concluded that Dolberg could not prove his bona fides, and there were suspicions of his allegiance to communist principles. In fact, it was a violation of the presumption of innocence. He was considered guilty until he could prove the opposite.

The FBI closely cooperates with the British Intelligence Service. As a result, Dolberg sighs, "I can't get a job in the Russian service of the BBC, the only real place for a Russian journalist in London, because all the candidates are checked by the MI5." He turned out to be an undesirable person on both sides of the "iron curtain."

The Moscow City Court sentenced Dolberg in his absence to 15 years of imprisonment in a penitentiary labour camp. In 1977 a KGB official who defected to the West brought with him the files of several "non-returnees." The files were passed on to the magazine *Possev*, published in Munich, and Dolberg inquired whether there as any information about him. He received a photocopy of his file. True, unlike many other "non-returnees," Dolberg never believed that the KGB intended to kidnap or kill him in London.

In 1959, after interrogations in Munich, Alexander Dolberg went to Britain. He wanted to study at Cambridge and was granted a scholarship, but became a teacher. In Cambridge, he gave lectures on Soviet literature, the first in the history of that university. For some time he did research work at Harvard and published a number of articles. But in the early 1960s he moved to London and became involved in journalism and translation.

"I wrote the biography of Solzhenitsyn, then little known to the West as a writer," Dolberg says. "For some reason he was called Solzhenitsker. Was it easier to pronounce the name that way? Then, together with Nicholas Bethell, we made the first translation of Solzhenitsyn's novel *Cancer Ward*."

At present, Dolberg does technical translations, studies sovietology, in the way it still exists, and makes expertises. He describes his financial position as "quite adequate," though he admits there were hard periods in his life earlier, and now he has to do more translations than he would like. Dolberg did not escape the occupation he was destined to pursue in the Soviet Union.

Dolberg married an English woman, but four years ago they divorced. He misses Russia and, if he could get an "interesting and fruitful job," he would probably return home.

Today Dolberg is a British subject, though his Soviet citizenship was not revoked. However, he does not risk applying to the Russian embassy. He was advised first to get his sentence repealed. In June 1990 Dolberg submitted an application which has been tossed since then from one prosecutor's office to another. His Moscow friends petition various commissions and committees for a consideration of his case. So far Dolberg describes the situation as "fighting with a pillow."

Soviet "non-returnees" had different motives for their action. In most cases it did not look like a comic escape in the New York department store *Blumingdales* shown in a film with the participation of Savely Kramarov, an actor who also did not return. The cases of these people, who have been unable to overcome their lingering fear, should certainly be reviewed.

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Time to gather compatriots

The vanquished and devastated Germany was able to provide shelter and work for eight million refugees. Russia will have to provide for millions of Russians who will probably be forced to return to their historical motherland

Vadim Makarenko, Dmitry Trenin

Russians leaving Tajikistan, Tuva, Moldova, Azerbaijan – practically all former Soviet republics

The break-up of the Soviet state has set off a powerful wave of migration. Almost all Azerbaijanians have fled Armenia, and Armenians have run away from Baku, the capital of Azerbaijan. Meskhetian Turks have found refuge in the Smolensk region, in the west of the Russian Federation. Tartars have been allowed to return to the Crimea, where they lived before the war. Greeks are going away to Greece, Germans to Germany and Jews to Israel. It seems the time has come for Russians to return to their historical homeland.

At present many Russians are leaving the Central Asian republics, Tajikistan and Kyrghyzstan (former Kirghizia) in particular. It is likely that Russians will again move from Azerbaijan. If the nationalist concept of state building prevails in the Baltic states – it has already been manifested in the bills on citizenship – tens and perhaps hundreds of thousands of Russians will have to leave those republics. The list of regions of the current and potential exodus of Russians is far from being complete.

In this article we shall not examine why Russians are packing up their belongings and going back to the places they or their fathers and grandfathers left long ago. Let us examine instead another aspect of the problem. Is Russia expecting these repatriates and making preparations for their early arrival?

So far Russians are leaving Central Asia and the Caucasus quietly though grudgingly, but without appealing to anyone. Are we again waiting for a thunderbolt to then take urgent measures in confusion? Who must take care of repatriates in Russia? Is there a legal basis for the tackling of their problems? What material and financial resources have been earmarked to support repatriates and provide them with housing? How is the responsibilities divided between the central and local authorities of Russia?

Refugees – an age-old problem

The refugee problem is as old as humanity. The famous Nansen passports appeared after the First World Wwar. After the Second World War, in 1951, a convention on the rights of refugees was adopted. When the United Nations declared 1989 world refugee year there were 15 million people in the world who had been compelled to leave their countries because of repressions on racial-ethnic, religious or political grounds. The world community has spent two to five billion dollars to relieve their plight (770 million dollars from the US budget only in the fiscal year 1988, and about 500 million dollars through UN channels).

Refugees are a serious political force. The problem is engendered by irreconcilability, the failure to solve disputes, and it breeds revenge. It complicates the achievement of international stability. The countries which give shelter to refugees – not always prosperous themselves – often groan under this burden, while their governments are faced with a dilemma: either to fulfill their moral duty with regard to refugees or defend the interests of their population in the first place.

A classic example of the potential conflict inherent in the refugee problem is the fate of the Palestinian Arabs. Years have passed, but their number has not diminished. In 1950, there were 950,000 Palestinian refugees, and today there are nearly two and a half million of them. The refugee problem is no better in other regions. Nevertheles, a way out of this distressful situation exists. It has been demonstrated by the Federal Republic of Germany. After the war, the Germans provided refuge and housing for millions of their compatriots.

Every fifth is a repatriate

In 1939, forty-three million people lived on the territory of the future Federal Republic, roughly six times the area of the Moscow region. Ten years later the population was al-

Summer, 1945. Germans resettled from the territories lost by Germany

ready 49 million despite the direct and indirect losses in the war. The point is that in keeping with the Potsdam conference decisions in 1945 the Germans living east of the Oder-Neisse line and the German minorities in Eastern and South-Eastern Europe *(Volksdeutsche)* had to be forcibly resettled to Germany.

Thus, millions of Germans had to move to their historic homeland. According to the 1950 census, 4,692,801 people arrived form the territories turned over to Poland and the Soviet Union. Besides, 1,970,600 people were resettled from Czechoslovakia, 203,600 from Hungary, 138,700 from Yugoslavia, 123,700 from Romania, and 398,900 people from other European countries. In subsequent years Germans came to the Federal Republic mainly from East Germany. According to various data, two to three and a half million people fled the German Democratic Republic between 1949 and 1961.

Persons expelleld from regions lost by Germany and from other European countries, refugees form the Soviet occupation zone, and displaced persons (those forcibly driven to work in Germany, POWs and others unwilling to return home after the war) made up 19.9 percent of the population when the Federal Republic was established. This would seem to be an onerous burden for the defeated, ruined, and divided country.

However, the resettled did not become spongers. On the contrary, they contributed significantly to the rapid growth and thriving of the German state. This became possible thanks to an energetic policy of the government. The classic "capitalist" principles of "sink or swim" and the law of the jungle did not prevail. Nor was charity the principal means of supporting immigrants, though it was practised. The assimilation of immigrants was facilitated through a well-thought-out state policy.

The basic law of the Federal Republic guaranteed citizenship to all ethnic Germans wherever they had lived before. As soon as compatriots crossed the border they received the same rights as the local population. Most of the new citizens arrived in West Germany with little or no property and without a livelihood. However, the authorities did not shut their eyes to the inequality of citizens. In 1952 the Bundestag passed a law on the even distribution fo burdens caused by the war. For instance, it envisaged the maintenance of an equal level of employment among the local and immigrant population. True, this level was attained only by 1955.

A law on expellees came into force in 1953. It defined the concept of the "expelled" and the legal status of these persons and set out the procedure of their settlement and provision with housing and work, and ways of meeting their cultural needs. To avoid the concentration of immigrants in particular federal lands, the resettlement was carried out on the entire territory of the republic. This depended first of all on whether housing and jobs were available in one or another region.

The voluntary consent of immigrants was indispensable. Professional groups were not discriminated against and families remained united. Since the times of the Reformation and the Thirty-Year War the population of the north and east of Germany has professed mainly Lutheranism and the south and west mainly Catholicism. For this reason it was recommended that the religion of immigrants be taken into account.

The "German miracle" and immigrants

The settlers who came from rural areas were given the possibility to work on land. They developed peasant households deserted during the war, as well as escheated households, and cultivated new lands. A special bank was established to grant interest-free loans to immigrant peasants for construction and land cultivation. It rendered substantial aid. Every year 100 million marks went to the settling of new lands only. Interest-free loans and other aid consisted of another 100 million marks. It was a very effective investment. In the 1950s and 1960s West German agriculture developed rapidly.

Immigrants were also given privileges in industry, for instance, preferences in employment. Those who ran their own businesses could get loans, tax privileges and preference in obtaining government orders. Unemployed persons learned trades at the state's expense. In the field of social security (insurance, unemployment benefits and pensions) immigrants received equal rights with the natives. All these programmes were drawn up on a vast scale. Though West Berlin is a special case, it should be noted that at the end of 1959 almost 40 percent of its population fully or partially depended on government or private aid.

After the war a quarter of West Germany's housing stock was ruined or rendered unfit for habitation. Even in 1950 two million people lived in makeshift

homes; and only 40 percent of all families in self-contained flats. Social and housing construction was launched on a wide scale in 1949, and 790,000 flats were built specially for immigrants. Eleven years later, in 1960, the housing problem was solved. Since then each German family has lived in a separate house or flat. A self-contained flat, not a bed in a refugee camp, has become a symbol of the new homeland for millions of Germans.

Resettlement was an immense project. It has cost a sum roughly equal to the total American aid to all European countries under the Marshall Plan. About 60 percent of the sum came from the federal and land budgets (rather influential ministries for the affairs of the expellees were set up in the lands), and the remaining 40 percent from the fund raised under the 1952 law for an even distribution of the burden.

The enormous task of integrating almost 20 percent of the population was achieved in the Federal Republic within a short time. The immigrants did not become a source of internal destabilization or a threat to neighbouring countries. Their efforts were directed towards national revival. The influx of "fresh blood" revitalized both the economy and society as a whole. In the 1950s the immigrants accounted for half of the population growth in the Federal Republic. Today the prosperous German state neutralizes the unfavourable demographic tendencies by the policy of "gathering Germans." Hundreds of thousands of ethnic Germans from Kazakhstan, Transylvania and Silesia are anxious to come to the native land of their forefathers in the hope that it will give them a chance, and the Federal Republic is taking them in.

* * *

In the previous centuries Russia has been enlarging its territory. The development of vast expanses called for tremendous efforts. Thousands of enterprising people or dependents went farther and farther away from the country's historical centre. Their services can hardly be overestimated. However, the Russians became victims of their own successes. The development of fringe areas, thanks mainly to their efforts, has acheved a level when the striving for independence and national statehood becomes a natural and irresistible process. The time has come for Moscow to let other nationalities decide their own destiny and gather Russians now living in other republics. This process should not be speeded up in any way. Moscow should only prepare for it well. The repatriation of Russians is inevitable. Will it choose the German or Palestinian way? This depends on how well the authorities of Russia will prepare to accept their compatriots.

A short image-making manual

Tatiana Ivanova

A guide for the beginne politician in sovereign Russia

Every Russian nowadays appears familiar with that foreign-sounding "image." No wonder, as in the more civilized countries all politicians project an image. But how in Russia? For many politicians here that is still much of a riddle, although there is really nothing much to it.

Nowadays it is easier for representatives of all the ethnic minorities in Russia, except Russians, to project that image. The first thing is to introduce an element of the national costume in their dress. If they can't rake up anything grannies have left, they can always apply to the manager of the local club, provided it runs a folklore group. In this case the politician should beg, demand or at a pinch buy the complete attire of the soloist and wear it at plenary sessions of his parliament. Yet, he can make do with a few details, when seeing constituents, for instance, an embroidered blouse, a tasselled girdle, or a sheepskin hat. However, do not overdo it, since most constituents may be Russians, full folklore attire may shock.

Furthermore, in Moscow stress the local dialect and accent. True, though you understand Russian well, don't be so fluent pretending difficulty in recalling many terms. Thus, you will often feel obliged to utter a complete sentence in your own tongue. Now look around helplessly as if hoping somebody will interpret you. Of course, should you at this very moment come across that Moscow University chum with whom you chatted away throughout the night in the dorm, endeavour to retain your cool.

Those to be envied are, of course, the Cossacks. They project the full image. Perhaps you've seen TV reportages about their meetings. True, when you inspect visages, gestures and postures, you seem to have seen such things before at a local Party meeting or at a plenary session of an erstwhile regional CPSU Committee, or perhaps even, if this be a large gathering, at a convention of an erstwhile republican Communist Party. As a matter of fact, when digging more deeply into their respective biographical particulars you will doubtlessly discern that they had been Party functionaries before.

Yet, the costumes worn seemed to have completely transformed then. Look at their hands as they make the sign of the cross. Before they raised these hands in a unanimous vote, but now they as vigorously make that sign of the cross.

If these serious-looking elderly strong-faced, self-confident gentlemen, so recently local bosses, had been told a couple of years back that they would don these fleecy sheepskin hats, with the carnival attire and sashes and also make the sign of the cross, while attempting to impart a semblance of Christian humility to their expression, they would have thought you were kidding.

Now, though, they project an image. Thus, at the recent armed forces officer assembly,

Drawing by Rein Lanks

though all were in uniform, the Cossacks simply wouldn't doff those towering sheepskin hats. Apparently, they think, in true Cossack style no doubt, that indoors even if this be the Kremlin, they must nonetheless keep heads covered.

If you are just a citizen of free Russia, but have taken a dislike to one or another newspaper, or its editor, you simply have to grin and bear it. Not so a Cossack. Projecting the image, you summon your Cossack pals, place sheepskin hats askew, thrust out chests, take a whip in hand and flog that elderly editor, as was done but recently along the banks of the Don in a neighbourhood projecting the Cossack image, naturally, in full accord with the time-honoured Cossack tradition.

Only recently I had a most embarrassing experience in the Metro. Stepping onto the escalator I bumped into an old acquaintance, who but a couple of years ago had been a fairly decent Soviet writer, ideologically steadfast, socially active, upright, even read. Indeed, I had often encountered him at sundry editorial offices and can vouch that there had been nothing extravagant about him, that he had been a rather nice penman, speaking a plain, witty sometimes sarcastic language. Not so long ago, though, I heard that this writer had become captain of a Cossack sotnia. What, I wondered, a Moscow intellectual not acting in some amateur show, but really becoming captain of a Cossack sotnia? Was he in his right mind?

Now he suddenly stepped forward in full Cossack attire replete with sheepskin hat, flowing whiskers, sash and a gait that evidently suggested that he had apparently only just alighted from his darling mount.

To say I was embarrassed is to say nothing. I thought the ground would open up beneath him the moment he caught sight of me. After all, who would imagine the former secretary of the Communist Party Committee of Moscow Writers as an officer in command of a Cossack sotnia?!

However, he was projecting an image and hence what others thought about him was utterly unimportant. An image is an image after all. When you raised your hand at a political seminar and stepped forward to furnish more details about the decay of US imperialism ferreted from *Pravda*, weren't you making a sight of yourself? That though was taken for granted and never raised a laugh. But, the new images are not taken for granted as yet.

Let us now discuss the image the Russian should project, though that is rather tough. On the one hand, you need to have such word combinations as "the free Russia," the "equal among equals" "the humane society" and "the path to world civilization" at your finger tips. On the other, you must be conversant with such terms as "democratization" "liberalization," "privatization," "stock exchange," and "broker." Would this mean a free flowing European business-like style? However, keep that stern look, don't look hangdog. The overly liberalized image will irk those national patriots, who in every season, in full accord with the image they seek to project, wear trenchcoats, which they do not remove even indoors. Hence a stern look and a ponderous gait are essential to project the image of the Russian politician of Russian nationality.

It goes without saying that the Russian image calls for special traits to indicate a kinship with his polloi. Suppose you find yourself out in the fields or by a factory conveyer, amidst plain honest working folk and need to explain the substance of subvention and investment and note that there is no alternative to liberalization and privatization. You would do well, at one or another moment, to sniffle with ease and even apply a sleeve of jacket, overcoat or raincoat, to wipe your nose. In short, don't spare the sleeve, as the image you project is worth more. Some will use the thumb on their right hand to press down on the right nostril and loudly blow the nose in a corner. But don't overdo it, Rely on instinct.

Also learn by rote a range of slangy colloquialisms. Without overdoing it season your speech with them, all to add to the image you seek to create.

The Russian-speaking politician of Russian nationality must always remember where he is and whom he is with, provided he desires to maintain that necessary image. If, furthermore, he is able to bring across with confidence what he wants to say, the image he creats will be spectacular. Suppose you are meeting intellectuals or young folk. In that case touch up your speech with such terms as "freedom," "Europe," "Sakharov," "the free press," and "human rights." But if you are meeting farmers, led by the former regional party secretary turned provincial Governor, necessarily employ terms like the "religious Orthodox," "the Slavs," "Mother Russia," and "the so-called Democrats." When meeting our gallant fighting men, be sure to add "this will not be allowed" "the united and indivisible," "allegiance to the Russian flag," and "a thousand dollars for everyone." On the other hand when meeting representatives of ethnic groups and nationalities repressed under Stalin, definitely employ such terms as "justice," "autonomy," "restoration of legitimate rights," and "compensation." But as you will soon be meeting people, whose ambitions need be curbed to restore fairness, introduce such terms as "the united and indivisible," "Russia is Russian land," and "Does that mean the Russian has nowhere to live nowadays?"

Be sure without fail to conscientiously learn all this by rote. Remember though that your audience is never one homogenous mass. Everywhere nowadays you are bound to spot at least a couple in carnival attire. Truth to tell, in Russia nowadays the Yuletide search does not begin on Christmas eve or end with the Epiphany. ■

Roulette

**Spending money is an art.
How is that done in the gambling houses of Monte Carlo, Baden-Baden and Moscow?**

A night in Monte Carlo

There were six of us at the table – a German lady with sparkling rings on her rheumatic fingers, a constantly whispering French couple, a tall weary-looking Arab, a fussy Pole and Your Correspondent.

Winter in Monaco, as at most Côte d'Azure resorts, is boring and cold. Hotel rooms are cheaper, the canvas sails of rich men's anchored yachts are wrapped around the masts and Czech, Slovak and Hungarian tourists tread the flagstones of Europe's tiniest princedom, from whose shop windows numerous portraits of the elderly Prince Rainier III and his heirs imperiously stare at the onlooker.

Only the casinos are full. Towards dusk all vacationers congregate there after a couple of hours spent tramping down the dozen or so narrow crooked lanes and across the luxurious mini-parks, in the mini-state of the three cities of Monaco, Monte Carlo and La Condamine.

Monaco's gambling business was initiated in the mid-19th century, when the then reigning Prince Charles III, with the help of Hamburg operator François Blanc, hoped thereby to fill his depleted Exchequer. In 1878 the French architect Charles Garnier built the present sumptuous edifice of the Casino on the coast and ever since this gambling house has netted billions of francs for Monaco's ruler, who owns the controlling share packet.

The few cases over these hundred years or so when gamblers were lucky enough to break the bank could be counted on one hand. Thus in 1891 the Englishman Charles Wells twice took home to London a goodly nest egg of one million francs. In the 1950s the American Kenneth Aston played havoc with the nerves of local croupiers. In May 1949 none other than Winston Churchill won the princely sum of three million francs. However, Kaiser Wilhelm II of Germany was unlucky; falling for another "winning system" he lost 100,000 francs.

Café Monaco is one of the three gambling houses overlooking the princedom's central square. Here an armed policeman regulates traffic, as doormen dressed in black tuxedos and gilded liveries staidly open the doors of limousines for high-society addicts of nerve-tingling games of hazard. True, anyone may come in, provided he is over 21, is sober and not in uniform. The guard will even allow in people clothed in jeans and sweaters, as the rules are simpler here and the stakes are lower.

Anyone may enter, provided he's sober and not in uniform

The bow-tied white-shirted croupier hardly managed to rake in the losing chips form the green baize and pay out the winnings to the lucky gambler, be-

fore multi-coloured chips again covered the table. First to deposit his chips was the Pole, who seemed to adhere to a pattern that only he is conversive with. The French couple whispered for quite some time before haphazardly scattering their ten-francs china chips. The Arab placed his chips without even looking, as if negligently demonstrating his contempt of money. Last to place her bet was the elderly German lady, who added her chips to the biggest piles.

I gave the croupier a carefully folded 100-franc bank note in exchange for ten china chips. I had heard from someone that according to the theory of probability, the more reliable winning scheme consisted of wagering on one definite number continuously, as with each loss, chances of breaking the bank increased. True, one never knows how much you will need to lose to start with. I carefully deposited a chip on Number 17, which for quite some time had not come up.

The ball was spun and landing at Number 21 yielded a goodly sum to the Pole, who had scattered a score or so of chips across the table. I decided to take the advice of a colleague from Eastern Europe and deposit one not only on the Number 17, but another on the line between the Numbers 4 and 5, aware that if this last stake won, my winnings, though half as much, would have double the chance. I was proved correct, and the croupier shoved a pile of new chips my way. However, an instant later they had dwindled to nothing. The Number 17 stayed virgin and I, considering my extremely modest expense account, found myself deprived of supper and tomorrow's lunch. The place I vacated was immediately taken by an energetic Italian. Incidentally, I learned that between 1868 and 1904 some 5,000 unlucky losers had committed suicide.

Though midnight had drawn near, the traffic outside was still as intensive as ever. A small group of Japanese tourists, cameras slung over their shoulders, ascended the steps of the old pompous Casino Monaco across the way. I entered the lounge with them. Here we were told to surrender our bags, while the Japanese tourists were warned that photography was forbidden. We were then asked to show our passports, and as the data was fed to the computer it delivered the 50-franc-priced admission ticket.

Here there were far fewer onlookers. In this idle season only two of the seven tables were occupied by gamblers who placed bets ranging into hundreds and thousands of francs. Clients did not deposit chips themselves, as this was nimbly done by three croupiers. Their fourth colleague, the banker, was seated on an elevation at the head of the table from which he watched the entire process. Again Number 17 did not come up. I went out to look for the nearby kiosk under whose ledge at the start of this century Missis C., the heroine of a Stefan Zweig short story, had saved a young man from killing himself after losing everything.

Konstantin Isakov,
our special correspondent
MONTE CARLO-MOSCOW

Dostoyevsky in Baden-Baden

In 1865, Dostoyevsky gambled in Baden-Baden, adhering to a system he had invented, thus hoping that Lady Luck would look his way. Though we do not know what the author of the novel *The Gambler* won, we do know for certain that his losses amounted to 3,000 rubles.

The roulette wheel stopped as the fighting drew near

When Dostoyevsky first arrived in Baden-Baden, its Casino had already been operating for more than a hundred years. The first mention of gambling in the local pubs is dated October 1748. The local Casino was started two years later in 1750. Its history is crammed with unexpected twists and turns, that were now and again closely interwoven with happenings in Europe.

As a matter of fact, at the close of the 18th century when in Paris Louis XVI was guillotined, Baden-Baden was in full flush, catering to French aristocrats who had fled here from Jacobin terror. However, at the time of Germany's first union in 1861, a law was enacted prohibiting gambling houses as Iron Chancellor Bismarck believed games of risk immoral and incopatible with Prussian virtue.

As a result, Monte Carlo took over, and attracted all of European high society, which definitely went against the grain of the French, as it outdid Nice and Cannes. They built more gambling houses and lifted the ban on such card games of risk as Baccarat and Chemin de fer. This put Baden-Baden in the shade.

However, in 1930 during the Great Depression, Baden-Baden was on the brink of disaster as few came to this famous spa for treatment. The town fathers begged Berlin to let them re-open their Casino. Their request was turned down, but some three years later, the new Nazi administration revoked the old laws and allowed gambling houses to be opened. At first the French handled them, but a mere two years later the Nazi party nationalized them.

The roulette wheel spun throughout the Second World War, stopping only when the front drew near in August 1944. The First French Army took the city in April 1945, but another five years had to elapse before, on April 1, 1950, at 6 p.m., 45 croupiers took over at four tables to thus impart once again to the stunningly magnificent halls the fervour of gambling.

The roulette rolls round the year, with the exception of high Church holidays inclusive of Christmas, from 2 p.m. to 3 a.m. May I note in passing that introduced here for the first time in Germany were such card games of risk as Baccarat and its Punto Banco version, Black Jack and, two years ago, Poker. With the assistance of 220 croupiers plus a staff of 180, who incidentally are not paid salaries, and depend exclusively on tips, you can play ducks and drakes with your money at the 40 tables in the nine rooms.

However, unless you produce a passport or identity card, you will not get an admission ticket, which is priced differently at five marks for one day and nine for two. On the weekends you must pay 12 marks, and 25 if throughout the week. A monthly "season ticket" costs 100 marks.

However you may enter only if you are over 21. The sole exception is made for younger wives, if accompanied by their husbands, but even then the law forbids them to play. Nor can residents of Baden-Baden play unless they have a written permit from the Burgomaster. University and college students are barred.

What does one have to wear? Jeans and sweaters are out. A tuxedo is not mandat-

ory, but one must wear a tie. The only men in uniform allowed to play are officers.

The chips wagered are purchased from the cashier. Value may range from 5 marks to 20,000 marks. If you wish to play at one table but bet on several combinations, you must ask the chief croupier for specially marked chips. It is thus easier for both you and the staff to watch the game. The lowest bets are from five to fifty marks; the ceiling is 40,000. When vacating your place, you must change all your remaining chips on the spot, as the chips at the other tables differ. All arguments are settled by the management.

The rules of the classical French roulette are the same as everywhere. Yet, on racing days American Roulette is played, which means anyone wanting to play odds and evens, red or black or the like is out. In this case one may make only one bet, but of at least 500 marks. Otherwise rules are the same. The only difference is that chips are of different colours, with the player himself designating the value of each, when purchasing them from the cashier.

Where do losses go? I would be wrong to say that losers, who comprise the majority, have sent their money down the drain, as 90 percent of Casino revenue is paid into the exchequer of the land of Baden-Württemberg which furnishes the resources for promoting both resort and city. Last year the more than 500,000 players who came to Baden-Baden and to Constance where a Casino branch has opened, wagered a total of 112 million marks. In the forty years since the end of the Second World War, the Casino has grossed more than two and a half billion marks.

Although the Casino is open to everyone, not everyone has the honour of signing the 40-year-old *Golden Book*. Those who have done so include Persian Shah Reza Pahlavi, that fine singer Salvatore Adamo, King Hussein of Jordan, Charles Chaplin's daughter, Josephine Baker, West German ex-President Karl Carstens, Hollywood star Kirk Douglas, German Foreign Minister Hans-Dietrich Genscher, IOC ex-President Lord Killanin, authoress Françoise Sagan and Canadian ex-Premier Pierre Elliott Trudeau.

Apart form Turgenev, Dostoyevsky and the Russian Grand Dukes of the 19th century, I failed to discover any trace of a compatriot, although in 1990 another Dostoyevsky had gambled at roulette. This was the writer's great-grandson Dmitry, an engineer from St. Petersburg, who so greatly resembled his eminent ancestor that the BBC had invited him to act the role in a film devoted to the writer. As shooting was done also in Baden-Baden and, of course, at the Casino, Dmitry tested the system his great grandfather invented. Did he win or lose? He preferred not to say.

Dmitry Pogorzhelsky,
our own correspondent
BONN

Gambling continues in Monte Carlo in any weather

Photo by K. Isakov

You lose, we win

Roulette owes its beginnings to the mathematical research conducted by the sages of Ancient China, who disposed 37 figures of various animals in the so-called "magic square of 666," a number obtained by adding numbers from zero to thirty-six. Tibetans who borrowed the concept relayed it to itinerant Dominican monks form France. As legend has it, to alleviate the boredom of the monastery's routine, one of the monks replaced the animals with numbers that he disposed on a revolting wheel to which he added a small ball. Thus emerged roulette, which was subsequently brought to Europe and thence to the Americas.

Despite the USA's famous gambling meccas of Las Vegas and Atlantic City, in that country roulette is much less popular than the pari-mutuel or tote, especially as until recently roulette had been allowed only in two states. Las Vegas, which is in Nevada and which annually attracts 18 million people who lose as much as 2 billion dollars, thus far firmly holds the title of the world's gambling capital. However, Atlantic City in New Jersey is a close second. Not long ago Colorado was granted the right to open casinos, and gambling houses have also been permitted in Iowa where, true, a ceiling has been imposed on losses of not more than $300 a day per player. Law-makers in Illinois and Louisiana have permitted roulette aboard Mississippi river boats. Similar ingenuity is shown in Florida, where would-be gamblers go aboard a luxurious liner, that some 20 minutes after setting sail reaches international waters, where it drifts for some four to five hours, thus enabling its 300 well-dressed passengers to try their luck at the tables.

Roulette's popularity reached its peak in the 1930s, when Nevada, the first and for long the only state, legalized gambling. At the time in Reno, then the gambling centre as Las Vegas achieved recognition only much later, some 900 licences were granted annually to open casinos. Naturally many Americans immediately hankered to get rich by turning all their fortunes into chips. It took years with mathemati

Baden-Baden adores the rich and the lucky

:ians spending days to figure the odds, o realize that the sole winners were the :asino proprietors. True, there was a :ertain amount of cheating. Many ruses vere employed. Of course, not all ;ambling houses were in the hands of ;rafters. Still, whenever a proprietor nought the money was coming in too lowly, his croupier could either employ ı footbrake to check the spin, or use a levice to broaden or narrow the com-)artment or even conceal a powerful nagnet under the table. The history of ;ambling in both America and Europe is eplete with such scandalous revela-ions.

However, a croupier is truly adroit and lexterous, not when he uses some tech-nical device, but when he spins the vheel so that the ball comes to rest in he needed compartment. So high a standard of professionalism, it is said, :an be achieved only after years and 'ears of practice.

Konstantin Shukhnov,
our special correspondent

FLORIDA-MOSCOW

Black Jack and Baccarat in Russia

Until quite recently the Russian could form a notion of a casino and roulette only from Western movies and the writings of the Russian classics. But today roulette wheels can be found in eight casinos in Moscow, notably in the Leningradskaya and Savoy hotels, the Moscow Commercial Club, the restaurant Bombay and at the Racecourse.

Moscow's first casino, accessible to every Soviet citizen with hard currency was opened at the Leningradskaya Hotel in mid-1990 jointly by Mosrestaurantservice and the West German Modern Games firm. Gambling includes American and French roulette and the card game of Black Jack. This relatively small but cosy room with its good restaurant and well-trained personnel soon gained a fine reputation, and every day, or rather night, between 300 and 500 people flock here. In short, the one and a half million marks and several hundred thousand rubles initially invested were recouped in the space of only three months.

A lack of roulette wheels is worse than a lack of sausage

In October of 1990 Leningrad, now St. Petersburg, inaugurated its first casino in the floating Olympia Hotel. Subsequently gambling houses opened one after another in other cities throughout the erstwhile Soviet Union.

Foreign businessmen, who as a rule do not rush to invest in Russia, show keen interest as gambling is the one and only field where they can hold the lead. Most casinos in this country are operated by joint ventures. No wonder, as this does not necessarily call for large investment and yet offers a quick return, moreover in hard currency.

Connoisseurs believe the most luxurious Moscow casino to be the Casino Royale at the Moscow Racecourse: some even rank it among Europe's ten best casinos.

It must be said that each casino produces quite an impression on the Soiet citizen, the general run of whom hardly know the meaning of good service. Indeed, at a table on the restaurant balcony one may watch the races while the voguishly dressed pianist will play your request.

Walter Rehbach, the head manager of the joint Soviet-German Interclub Moskva which runs the casino, is optimistic. His firm owns a worldwide net of casinos, but the one here in Russia is his first such enterprise.

"Russia holds out great promise for gambling," he maintains. "The market is thus far still embryonic and the casinos that have opened here are but a drop in the ocean. The influx of foreign tourists will grow every year. It is these people who comprise the bulk of our clientele. In short, the casino must become as much of a 'must' for the visiting foreigner to Moscow as the Bolshoi or the Kremlin."

Within the dimly-lit first-floor gambling room seven or eight people stood by the roulette wheel. Their chit-chat indicated that they were all well acquainted with one another. Several wardens kept a close eye on proceedings, seeking to quash any erupting row. They are strictly forbidden to play themselves.

"Have racketeers tried to exact tribute?" I asked the husky chief warden.

"Yes, there have been such attempts," he replied. "After all, the casino is rich in hard currency and any group of racketeers would like to have it under their thumb. Indeed, the more reputable the casino is, the bigger the would-be raids. However, we have staff here who know how to handle the matter and a truce has been signed."

For the time being, Soviet businessmen involved in gambling are but novices patiently learning from their more experienced foreign partners. There are not enough well-trained croupiers, and so foreigners are invited. Virtually everything needed, from the special furnishings to the chips and rakes have to be purchased abroad, which incidentally is rather costly: thus a roulette table is priced at nearly $12,000. The foodstuff for the restaurant also need to be imported.

Only recently foreigners comprised the bulk of the clientele. However, of late well-heeled Russians are more and more resolutely edging in.

Demand generates supply. Hence, Moscow already has two casinos, where one may wager rubles, and it is expected that their number will multiply shortly.

One ruble casino, the Club N, is to be found at the Restaurant Havana on Lenin

Prospect. It is a club-sponsored affair, which means that most of the clientele are Club N members paying annual dues of 15,000 rubles. With a membership card which has neither name nor photo, but only a number, the owner is entitled to a light supper free plus a small amount of credit. Also let in is a limited number of one-time visitors, who pay 116 rubles for the price of admission.

Control is extremely rigid, with as many wardens equipped with walkie-talkies as players themselves. On two close-circuit TV screens, the manager watches everything taking place inside and outside the casino. Further, the entire gambling process is video-taped to help straighten out any misunderstandings.

Possibly Baccarat will soon supplement the standard roulette and Black Jack. Though the maximum wager is 500 rubles, when players so desire, it may be increased and there have been cases when bets have stood at 10,000 rubles.

Attractive girls act as croupiers who also hold the bank in the card game of Black Jack.

Director Igor Ballo started off with "one-armed bandits." He gained experience and money and visited Monte Carlo, Las Vegas and Atlantic City before deciding to take the plunge.

"Most people," he says, "rank gambling with prostitution and drugs. Yet it is a serious arduous job, and I must say that the shortage of high-quality recreation is as harmful as the shortage of food. Important for us nowadays is not so much profit, as prestige, the image, and the casino is only a step thereto."

Gambling is profitable for the government, as the tax imposed is as high as 75 percent. Though Club N is not Moscow's biggest casino, the daily take runs close to one million rubles.

Furthermore, casinos represent an effective way of redistributing incomes. Profits derive from the losses of the clientele who, as a rule, are in the superhigh income category. Via taxation this money goes to benefit low-income categories.

Finally, nearly all the casinos engage in charity. Thus, Club N provides 200 low-income families with free food hampers twice a month.

But according to Igor Ballo, the government's policy vis-à-vis gambling needs to be heavily modified. As the bulk of the gambling business is operated by Western firms, nearly all the hard currency earned is exported. Soviet entrepreneurs are unable to compete with well-financed Western firms. Ballo believes tax laws should be changed to provide equal opportunities.

Andrei Baiduzhii

The erstwhile Soviet Union's extant symbols impart special charm to dollar games of risk
Photo by V. Panov

A DIFFERENT VIEW

Will Moscow become a Las Vegas?

Yuri Fedoseyev,
Moscow CID chief

All gambling violates Russian legislation and the Criminal Code which law-enforcement agencies uphold. However, it appears to be not only legalized but even prospering thanks to the authorities. Yet Article 226 of the Russian Federation Criminal Code stipulates a jail sentence of up to five years for running a gambling den, while Article 164 of the Russian Federation Code on Administrative Malpractice also envisages culpability for operating games of risk. To our regret, we are now obliged to tolerate such transgressions.

In the West gambling houses contribute 80 percent of their profits to the exchequer. With us here, that amounts to a negligible pittance. The entire hard-currency take is pocketed by casino proprietors. Yet not only that induces me to disprove of this new business venture which was imported into Russia by Intourist and the Komsomol.

Gambling houses represent a venue for laundering the vast sums of money either in hard currency or soft rubles, derived through the re-sale, for instance, of beer. Hence wherever there is illicitly earned money, all moral standards are disregarded.

As a rule, crimes are not committed where criminals play card games of hazard. That takes place elsewhere. Thus, the co-owner of one Moscow casino has been robbed and mugged several times.

As for the "one-armed bandits," those who service them may rig them, which we well know. There are also tax-evaded superprofits to be considered.

If we free gambling from the laws that still restrain its rapid growth and, as far as I can judge, this is what is going to happen, I will not be surprised if some time from now Moscow has Las Vegas-type neighbourhoods. How low will our moral standards sink then? ■

FROM THE XXth CENTURY POLITICAL THOUGHT

Introduced by *New Times* analyst **Rostislav Zolotaryov**

"Breadline rallies" have already begun. No bread is (or will be) distributed among the protesters because the organizers of these rallies do not bake bread – all they can do is redistribute "the national cake." The cake, however, is getting ever thinner: standing in lines and attending street rallies takes almost all of our time... The resulting hunger-related hallucinatory dreams of a radiant future may lull people into illusions again. For want of bread, those who profess "the ideology of circuses" will always find an audience...

This is what Pitirim Sorokin writes about, or rather gives a penetrating scientific analysis of, in his article *Hunger and Social Ideology,* published in St.Petersburg journal *Economist* in 1922 (Nos. 4-5). This work completes a series of three articles devoted to the effect of hunger and war on the state of society. Excerpts from two of these articles – *The Bitter Harvest of Mars* and *The Land of Empty Belly* appeared in our previous issues (No. 50/90, and No. 14/91, respectively). The following fragments from the article on the effect of hunger on the social and psychological state of society complete our Sorokin series. The article has obviously lost none of its topical value to this day, although it certainly bears the imprint of the mechanical "cast-iron determinism" typical of the then young science of sociology and professed by the then young author. In 1918 he had already shed his illusions and taken the stand of an objective observer of social phenomena. His talent as a researcher blossomed abroad. In his mature years, Sorokin became the patriarch of world sociological science.

In the twenties, Sorokin, then a regular contributor to the journal *Economist,* was busy working out a concept which was supposed to alert reform-minded scientists, businessmen and politicians to the mortal danger society was faced with. Thanks to the New Economic Policy (NEP), our society was then recovering from the shattering blow it had sustained. An attentive reader will, no doubt, note the final passage of the article which says that society will get rid of its egalitarian illusions once the food situation has improved. The reforms were stopped then, as we know. Our rulers had no use for the NEP originally intended to be pursued "in earnest" for years ahead.

The philosophy of starvation

Pitirim Sorokin (1889–1968)

By the ideology of a society I mean the sum total of notions, concepts, judgements and their complexes: convictions, beliefs, theories, world view typical of the members of this society... An analysis of an individual's behaviour and ideology reveals that his psyche changes sharply in accordance with changes in the amount and quality of the food he consumes. Hunger deforms the man's ideology by confirming him in his convictions, theories, judgements, and beliefs which "approve" the use of measures capable of procuring food, on the one hand, and, on the other, by suppressing the vocal and subvocal reflexes interfering with, and hindering the appeasement of his hunger. Figuratively speaking, hunger replaces one gramophone record in the person's mind with another. As a result, the "human gramophone" begins to sing, say or think new words, songs, arias, thoughts, convictions and expressions. What is true of a separate individual obviously applies to a body of individuals which reacts to sharp fluctuations of the food supply curve – i.e., to changes from satiety to hunger and back – in the same way.

In other words, I contend that there is a functional connection between the fluctuations of food supply to society and the variations of the latter's ideology. Changes in the former "independent variable" cause (ceteris paribus, i.e., the other conditions being equal) the "ideology of society" to change in the same direction. In "starvation epochs," this change fosters the ideology which, under circumstances, is conducive to filling the hungry social stomach and causes a decline of the ideology which hinders the appeasement of hunger. In the period of society's transition from hunger to satiety, the process goes in the opposite direction. This change of ideology under the influence of the said factor is varied and extremely heterogeneous in form...

For as long as society or an overwhelming majority of its members is replete, there is no need for communist egalitarian acts like extortion, plunder, the levelling of wealth and food stocks accumulated in society. The people are already satisfied. And the people who have enough to eat behave accordingly, they develop reflexes and convictions which ban encroachments on "property that belongs to others," treat property as "sacred," censure the appropriation of other people's property, etc.

Then starvation comes. Supposing all the measures taken to combat it – food imports, emigration, territorial expansion, etc., – don't work, the only alternative is the appropriation of wealth and food stocks from the rich. In such a situation food taxis compels starvelings to seize, divide and "communize" these stocks as the only way to appease hunger. To make such behaviour possible, it is necessary to neutralize and suppress all the reflexes (vocal ones included) and subvocal convictions which interfere with it. Otherwise they will hinder the action which food taxis urges people to take. In such cases hunger starts suppressing the reflexes and convictions which hinder the appeasement (such as "property is sacred," "the appropriation of other people's property is impermissible," etc.) and "rationalizing" and encouraging actions called for by food taxis (by arguments like "private property ownership amounts to theft," "long live expropriation of exploitres," "taking wealth away from the rich is a great and just cause," etc.)

Since the owners of wealth offer resistance to encroachments on their property, food taxis generates reflexes and convictions which "endorse" the use of violence against the "bourgeoisie."

Consequently, hunger causes the starvelings to develop communist and socialist egalitarian reflexes – speech and subvocal reflexes (convictions), in particular, or, in other words, "communist-socialist ideology." Such starving masses favour the spread of this ideology which will infect them at the rate an epidemic does. It makes no difference under what sauce it is served up, and what authorities are invoked to substantiate it: Marx or Christ, Babeuf, Rousseau or the Jacobins...

All these substantiations, motives and justifications make no difference to the masses at all. These are just "dressings" of no interest to them. They will accept any ideology for as long as it blesses acts of expropriation, division and levelling, encourages these acts and approves them. Whether there are grounds for such acts is unimportant. If there are, fine. If there are not, so what? If under a certain set of circumstances the Gospel serves as the most fitting "justification" for such acts, ideology will allude to it and bless "socialization" as a Christian thing to do. If Marxist ideology is more suitable at the moment, Marxism will be inculcated in the minds of the people on a large scale, and "socialization" will be carried out under its banner.

The stronger hunger grows, the more vulnerable people become before the demagogues' temptations

Consequently, these ideologies will be a success on two basic conditions: 1) a rapid spread of absolute or relative starvation which cannot be overcome in any other way; 2) the existence of property differentiation in the given country. The more sharply pronounced these two conditions are – with other conditions being equal – the more popular communist-socialist ideology is with the starving masses. Hence, the spread of forced etatism as practice as well as "ideology."

The following conclusions suggest themselves:

Theorem 1. The other conditions being equal, the replete and the hungry (the rich and the poor) cannot share the same social political ideology under the consequences. In particular, communist-socialist ideology should be a success with and readily accepted by the poor, and can neither be a success with, nor be readily accepted by the rich and the replete. The latter are immune to it, and the former, on the contrary, are easily susceptible to the "infection." On the contrary, anti-communist ideology should thrive among the rich and be rejected by the hungry poor.

Theorem 2. 1)With other conditions being equal, and with the same degree of property differentiation, the curve of this ideology's success and acceptance will go up each time the supply of food available to the masses dwindles (when absolute and relative starvation spreads). 2) With the supply of food available to the masses remaining at the same level, this curve will go up each time property differentiation grows (relative starvation spreads). 3) The rise of this curve will be the steepest, and these ideologies will be the greatest success, in a situation where property differentiation grows (i.e., where the rich grow still richer) and where the supply of food available to the masses dwindles (i.e., where the poor get still poorer). In this case, relative and absolute starvation is at its worst, and the pressure of food taxis is the highest.

Theorem 3. With other conditions being equal, the curve of the popularity of communist-socialist ideology will go down when: 1) the supply of food available to the masses increases and property differentiation diminishes (relative and absolute starvation eases off); 2) when the degree of property remains unchanged by the increased supply of food available to the masses; 3) when the supply of food available to the masses remains unchanged but property differentiation decreases (in both cases starvation, relative starvation especially, eases off).

Theorem 4. Finally, when the level of differentiation rises (with the level of food supply to the masses rising accordingly) or, inversely, when the level of food supply goes down (and so does the level of property differentiation), the two processes neutralize one another, and the curve of the rise or decline of these ideologies' popularity may remain constant.

Such is the "dynamics" of fluctuations of these ideologies' popularity and their connection with the rises and falls of the absolute and relative starvation curve. The theorems are clear-cut and lucid. The proofs for the statements they make are given above. As a result, a bridge has been built between the number of calories and a weightless ideology.

Let me remind you of some basic facts of history.

In Ancient Greece this was the ideology of the poor since the impoverishment of the peasantry had begun... In Rome, the situation was not much different. There, too, the practically egalitarian and primitively communist ideology which demanded that the property of the rich be confiscated, the land realloted, and the rich themselves physically exterminated, and which was manifest in all the major social movements and revolutions of ancient Rome (Gracchus, Cinna, Catilina, Caelius, Dolabella, Rullus, Spartacus, Saturninus, Drusus, et al.), recruited its followers and adepts from among slaves, the poor, hungry proletarians, impoverished peasants and beggars...

Needless to say, the same phenomenon recurred in the 18th, 19th and 20th centuries. Numerous and infinitely varied in form but identical in their practical recipes and methods, socialist, communist, collectivist and levelling theories and ideologies – under any name, be it socialism, communism, jacobinism, egalitarianism, or whatever – called for the division of wealth into equal shares, for the confiscation of the property of the rich, for property levelling as well as for legal equality, for total socialization of life, etc. All those ideologies, from Jacobinism and Babouvisme to Marxism, anarchism, Proudhonism, etc., have always found, and still find, their followers not among wealthy bankers, capitalists, big landowners, etc., but among the poor, in the city and rural proletariat (both educated and uneducated), among beggars and unemployed starvelings, among bums or, in Le Bon's words, "among the maladjusted" – or more precisely, among the undernourished. An analysis of the diet of various social groups shows that in the 19th and 20th centuries the diet of city industrial workers (except the highly-paid few), who had given up farming entirely and lived on their wages alone, was the worst in France, Germany, Belgium, Austria and other countries. It was even worse than the diet of peasants, provincial artisans, fishermen and servants, let alone that of the well-to-do. The industrial workers' diet was scanty and lacking in nutrition. In the 19th and 20th centuries those layers of society were the most susceptible to extreme communist ideologies and slogans. It was from those layers that the

followers of the said ideologies and of the corresponding parties were recruited. It is not coincidental that the latter add to their names of "social-democratic" or "communist" the adjectives "workers," "proletarian" or simply call themselves "the party of the poor." It is not by accident that their slogans and their mottos are "dictatorship of the proletariat" or "dictatorship of the poor." Nor is it coincidental that the Internationale, to name just one of their hymns and songs, opens with: "Arise, ye starvelings from your slumbers, raise, ye criminals of want..."

Today we observe the same phenomenon in all countries: the army of communists and socialists still consists of proletarians, hungry soldiers, landless farm hands, unemployed intellectuals, bums, etc. Contrariwise, anti-egalitarian, anti-socialist, anti-communist and anti-collectivist parties have always been, and still are, popular with the rich, the satiated, the "pot-bellied," the well-to-do, the privileged, who readily join them. Such was the case in the past, and such is the case now. "Similar causes, similar effects..."

In our own country, we have witnessed a rapid growth of Left-wing socialist ideologies since 1916, when impoverishment made itself felt, expecially in towns. In 1917, socialism became a religion for most of the masses. Since the revolution, socialist parties have been drawing new members by the hundreds of thousands. The ideology of socialism and communism, in its refined or primitive forms, spread like wildfire. Marx and other ideologists became deities, and socialists' programmes, as expressed in their slogans, became symbols of faith.

Not infrequently, hunger brings to power terrorists who seize public property and start using it on behalf of the have-nots

This quantitative growth was accompanied, as hunger spread, by qualitative strengthening of the extreme movements owing to moderate socialism losing its positions as early as in April-May 1917. By October, the ground slipped from under the Centrists' feet, too. In an increasingly hungry, poverty-stricken and highly stratified society, with its wealthy few having amassed fabulous riches, the triumph of communism was inevitable. It finally came, and entailed the sharing of these riches.

Notably, among the followers of communism there is a certain percentage of the rich, of the sated (especially among the leaders of such movements) and vice versa, the poor are quite common among the opponents of communism, etc. But, first of all, they have always been in the minority in both cases, an exception rather than a rule; and second, I do not claim that the acceptance of this or that ideology depends solely on whether one has enough to eat. Even starvation does not necessarily have this result – only, as indicated above, given property differentiation or "hoards" of food and wealth which attract the attention of hungry human masses. Failing this, there is nothing to attract, nothing to share, nothing to expropriate and, consequently, no chances for communist theories and slogans to be a success among the hungry. However, there are factors other than hunger that may favour the acceptance of communist and other such ideologies. We know that there are "intellectuals," rich people and the "bourgeois" among communists and socialists; on the other hand, some of the poor may be sharply anti-communist and anti-socialist...

Note the evolution of those very parties and their leaders. As soon as they seize power and obtain access to lucrative posts, they promptly grow opportunist and moderate, come to accept the principles of "real politics," which often lead them to topple their old idols and worship the idols they toppled before, when they were poor and had neither influence, power, lucrative posts, nor sinecures. In our times, examples of that abound. Take, for instance, Scheidemann, French socialists led by Renaudel, Thomas and others, a portion of the British "Labour Party," Russian Mensheviks and Socialist Revolutionaries in the period when the Provisional Government was in office; personal illustrations of that are: Viviani, Clemenceau, Briand, Sembat, A. Thomas, Vandervelde, de Brouckère, Henderson, Renaudel, Scheidemann, Noske, etc., all former socialists, many of them once extreme Leftists. Now that they are in power, they have actually shed their communist robes. To quote a line of poetry, "What has been, has been, but I can't recall when..." Many of them occasionally use their old vocabulary, just for show.

...Let us turn to the Jacobins with their slogan of property levelling. While they remained sansculottes, they clamoured for the extermination of the rich, for confiscating their property, for equality and public weal. But no sooner had they gotten hold of that property, than the picture changed entirely: instead of "nationalizing" private property, they appropriated it; plunder, theft, graft and extortion became common. Taking advantage of their dominant position, they purchased cheaply the real estate they had nationalized, and became rich. "This is what smart terrorists build their enormous fortunes on; such is the origin of their colossal wealth which these arch villains – each of them a little Robespierre in his canton before Thermidor – have been quietly enjoying after Thermidor; these patriots are now building palaces around Orléans. Having plundered public and private property, they now own the houses and property of emigrants which they have acquired at a fraction of their real cost." The Jacobins' committees grabbed the best of everything; while the masses starved, they were busy putting fortunes together "for a rainy day" using any means – threats, plunder, confiscations. Having grown rich, they promptly forgot all about their old ideology, became fervent property-owners, formed the class of future capitalists clinging to their property like grim death and prepared to sacrifice their lives and souls with it with the fervour of proselytes. The most die-hard capitalists and the most ardent advocates of private property came from their midst under Napoleon and during the Restoration. The same thing happened later in the numerous communist communities, especially in Australia and America... The same goes for the history of modern socialist and communist parties. Has just one of them put its principles into practice, if only within its own framework to begin with? No. All of them breed inequality...

Our own experience shows that as the property differentiation gap narrows, communist ideology loses its following. For as long as there was property differentiation, the ideologies of socialism and communism were eagerly accepted by our proletarian, army and peasant masses. Those ideologies rapidly gained popular support. After the social contrast had disappeared, the situation changed abruptly. Socialists and communists lost their grip on the masses. Many converts began to have second thoughts about them. The curve of their popularity plummeted. Although agitation became more refined, its effect was negligible. The "petty bourgeois elements" began to take firm root. In a word, there was a sharp turn towards anti-communist ideology.

Taken together, the theorems confirm one another – and the basic thesis... There does, indeed, exist a connection between "ideology" and fluctuations of the food supply curve.

The text was prepared for New Times by

A. Edemsky,

Cand.Sc. (Hist.)

Nikolai Popik, 50, head of the Rostov markets, was the first Russian businessman to visit South Africa to see how its economy works. He did so at his own risk because the two countries had no trade agreements at the time, and his visit could have been "interpreted incorrectly."

South Africa exceeded all expectations. "It was indeed a closed economy," Nikolai Popik said. "But, unlike the Soviet economy with its command-style management, it developed much more intensively. South Africa has excessive production. There is no shortage of modern technologies and original ideas."

Taking advantage of the advertisement placed in *New Times* by the Amen company, Popik signed agreements on the supply of small production lines to process potatoes, produce fruit juices and to bake bread. Equally useful were his meetings with manufacturers of meat products, perfumes, household appliances, tea and coffee, and goods for children. All these companies are prepared to cooperate with member states of the Commonwealth.

"I don't think it will be possible soon to change the conservative attitude to South Africa," Nikolai Popik says. "But my colleagues and I will trade with that country."

Nikolai Reshetnyak
NT correspondent
Pretoria

* * *

"We must provide conditions for satisfaction of the spiritual and material needs of every Armenian living in Moscow," says **Ruben Melkonyan,** 46, chairman of the recently founded council of the Armenian community in Moscow. According to him, about 45,000 Armenians now live in the capital and, as refugees arrive, the number is steadily growing.

Ruben was born in Yerevan, graduated from the Moscow Istitute of Chemical Technology, and earned the degree of candidate of science. He gave up his scientific work one and a half years ago after being elected to the Sverdlovsk District Council in Moscow.

"Until recently," Melkonyan says, "several Armenian organizations existed separately in the capital, and we decided to unite them. Only in this way can the council of the community give real assistance to compatriots who get into trouble."

The 35-man council will apparently deal with various things, from the funeral of lonely persons to the collection of donations.

On January 7 the Armenian community held its first major action — a charitable New Year's Tree party for children from Nagorny Karabakh. The sponsors have transferred 40,000 rubles to the bank account of the community. Ruben Melkonyan is going to use them for the purchase of medicines and clothes for children.

* * *

Pyotr Luchinsky, 52, a former Central Committee secretary of the now banned Communst Party and, earlier, First Secretary of the Moldavian Communist Party, alleges that he has no intention of returning to politics. According to him, he has received several attractive proposals for cooperation, in particular from the Fund of Development of Social Sciences under the aegis of the Russian Academy of Sciences and the non-governmental Fund for Ties with South-East Asia.

In the opinion of Pyotr Luchinsky, former party officials should not try now to get into new state and party organizations. New people should come into this sphere and "prove what they are capable of." What remains today for people like him to do? "They should work to the best of their ability and experience," Luchinsky replies.

Pyotr Luchinsky was born into a peasant family. He began his career from the post of an instructor at the Central Committee of the Young Communist League. In the 1970s, when several political trials of dissidents were staged in Moldavia, he was already in

Love between ministers

The love affair began with a note. "Your mini-skirt is simply wonderful," Bernardo scribbled on a piece of paper at a cabinet meeting. Shortly thereafter a messenger began to deliver baskets with flowers to Zelia's house. When Bernardo decided that the psychological treatment of the "target" had been successful, he invited Zelia to have dinner in one of the best hotels of Sao Paulo.

Zelia Cardoso de Mello, 38, former Minister of Economics, Finance and Planning of Brazil (see *New Times*, No. 38/90), gave the compatriots a shock with her anti-inflation measures. On resigning, she once again held the limelight by frankly describing the history of her love for writer Fernando Sabino. Today Sabino's book *Zelia. The History of Passion* is a bestseller in Brazil.

More than a year ago the news of Zelia's love affair with Minister of Justice **Bernardo Cabral** came as a bolt from the blue to other cabinet ministers and the man in the street. The love story, which cost Zelia and Bernardo their posts, has created the loudest political scandal in Brazil over the past few years.

Tired of the struggle against inflation, which was not always successful, Zelia found consolation in love. The insidious seducer Bernardo, who had promised to divorce his wife and marry Zelia, contrived a plan on retreat. On the seventh day of their joint holiday in Paris he flew to Brazil, saying he had a toothache. Bernardo promised to return in three or four days, but never came.

In the opinion of news analysts, the publication of a book containing intimate details from the life of cabinet members was another blow to the already unpopular government. "How can they be ministers if instead of tackling serious problems at their meetings they write love notes to each other?" people ask.

the upper echelons of the Moldovian Communist Party hierarchy and, as he alleges, held "democratic positions." In those years dozens of Moldavian dissidents were exiled to camps or placed in psychiatric clinics. But, Luchinsky says, he does not feel guilty for those actions and current developments in the republic. "I am not afraid to look people in the eye, and they meet me cordially," he says.

* * *

This photo appeared in all major newspapers of the world. **Ferdinando Aiuti,** 54, professor of immunology at the University of Rome and a member of the Italian anti-AIDS commission, demonstratively kissed Rosaria Jardino, 28, infected with AIDS, in the presence of 500 medical specialists who gathered at a symposium in the town of Cagliari.

Prof. Aiuti made this gesture right after his speech at the symposium in which he refuted the World Health Organization's statement that people can be infected with the AIDS virus during a usual kiss.

"I did that not for the sake of publicity," says the professor, who is the author of 460 scientific works, with about 60 of them dealing with AIDS. "By this kiss I wanted to rid the problem of the excessive dramatic effect which is intensified by the mass media and engenders numerous fears among relatives of AIDS victims."

Aiuti contends that the possibility of transferring the AIDS virus during a kiss is virtually absent even when an AIDS victim has slight injuries on

his or her lips or palate. AIDS can be transferred to a person during a stomatological operation, when strong bleeding facilitates infection. But even in this case the risk is infinitely small compared with infection during sexual intercourse.

Most AIDS specialists agree with Aiuti's statement. Having learned about his action, the Health Minister of Italy noted ruefully: "If in our country an AIDS victim must be kissed to prove that the disease is not transferred in this way, it can be asked what must be done to make people believe the results of other research achieved by scientists."

* * *

Vladimir Matorin became famous one evening, after the premier of *Boris Godunov* in the Stanislavsky and Nemirovich - Danchenko Musical Theatre. The most surprising thing is that the actor has played in this theatre for 17 years and has performed the part of the unfortunate tsar for several years. However, it was only in the new staging of *Boris Godunov*, essentially differing from the canonic version and reproducing the real scheme of composer Musorgsky, that Matorin was able to reveal his

bright dramatic gift and peculiar voice, "metal with velvet."

The 43-year-old singer and teacher at the institute of theatrical art began his working life as a telegraph mechanic. But at the age of 19, when his voice grew stronger, Vladimir learned several musical parts. Thanks to this he was simultaneously admitted to the Gnesiny Music Institute and the Soviet Army Song and Dance Company. Vladimir chose the institute. Seven years later he was admitted to the theatre in which he began to play simple parts. But soon he received the leading parts in the bass repertoire.

The triumph in the new production of *Boris Godunov* upset the unhurried flow of Matorin's rather traditional career. He was recognized by critics as the best opera actor of the season and was invited to the Bolshoi Theatre. Until then his repeated attempts to play in this theatre had ended in failure.

It is difficult to define Matorin's line. In *Boris Godunov* he is a furious tragedian and in the part of Don Basilio, a real comic. In daily life Vladimir Matorin is a lyrical personality with an enviable sense of humour and a powerful build.

L.Dolgacheva

A "night knight" from Bombay

In the daytime **Pramad Navalkar,** a 54-year-old resident of Bombay, receives people in the office of the local branch of the Shiw Sena party as one of its leaders or takes part in the session of the legislative council of Maharashtra. In the evening he takes his old Fiat car and goes to the red light district where 60,000 prostitutes live. The party activist is not at all motivated by a thirst for pleasure. His work among prostitutes is the main line of his public activity for the good of his native city.

The owners of brothels and pimps fear Navalkar while prostitutes regard him as their friend. For his kindness, cordiality and nobleness they call him a "night knight" of Bombay.

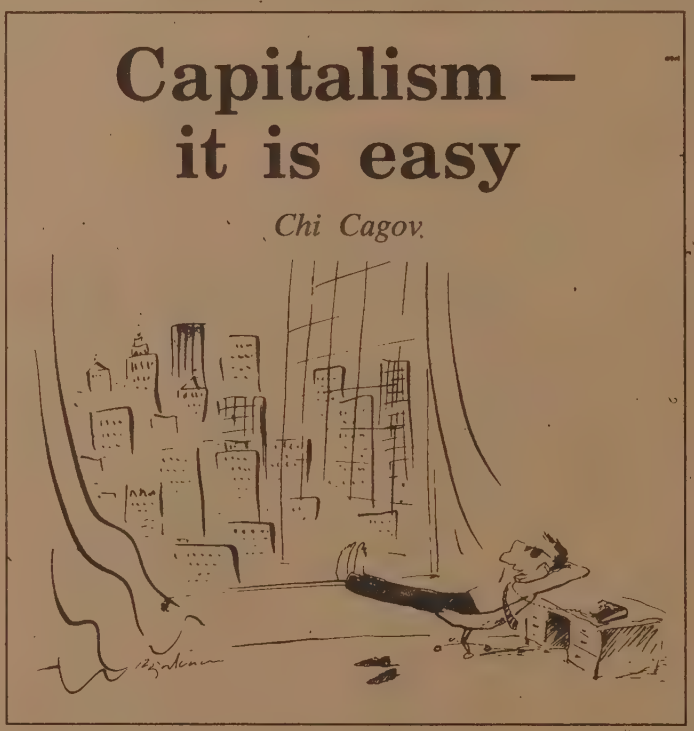
Navalkar did not become a "knight" at once. At first, he insisted on the closing of brothels, believing that the city should be cleaned of "dirt." But having acquired experience, he understood that the problem was much more serious than he thought. "According to my estimates," Navalkar says, "Bombay with its million-strong population has about 600,000 Hindus from other regions. They have come to the city in search of work, leaving their families at home. From time to time they feel the need for intercourse with the opposite sex, and therefore we have to choose one of two things – either the maintenance of brothels or a sharp rise in crime on sexual motives." Navalkar has chosen the first of the two evils.

The activist does not doubt that he works for a noble cause. "Prostitution is an inevitable evil in our society," he says. "We should not fight against its victims. We should help them by making their life easier in every possible way." This is the main conclusion Pramad Navalkar has drawn during 15 years of his work in the red light district.

Sergei Irodov
NT correspondent
Delhi

Capitalism – it is easy

Chi Cagov



Housing, mortgages

In those days when the flow of Soviet tourists to America only started, there was a well-known joke. A Soviet tourist, having returned from his sojourn in America, recounts the splendid life people lead there: everyone has a wonderfully paying job, a car, a house, an overflowing refrigerator, and closets bursting with clothing. As if that isn't enough, everyone has a 100-150 thousand dollar mortgage in the bank.

Frequently recollected by all his audiences, where he was a guest, and little known to the Soviet guy, the word "mortgage" means borrowed credit. In other words, a loan with interest, with the guarantee of payment in the form of a house. There is a creditor – the bank – owning these homes untill the debt is paid up. Therefore, "a 100-150 thousand dollar mortgage in the bank" really means, alas, a debt to the bank of this sum. The mortgage payment often accounts for 35 percent of the family budget, and sometimes more. Thus, the term is an important one in America.

Those who pay mortgages are those who own their own homes, town houses, or simply apartments. Not by a long shot do all Americans own their place of residence.

Meanwhile, despite the large expense which goes along with paying a mortgage, Americans strive all the same to own the place which they call home. Why is this?

First off, renting apartments (or houses) becomes more expensive each year, even in those places where the government tries to subsidize housing. The growth in incomes just doesn't keep up with climbing rents.

Secondly, real estate usually increases in price, and this price either out-distances inflation, or in the very least doesn't fall behind it. With the rise in the price of real estate, your financial means, invested in real estate, also grows. Such investments enable people to combat inflation.

Thirdly, the widely developed system of loans with interest allows you in many instances not only to fight inflation, but to earn money from it in the form of the value of your home (as is the case, by the way, with real estate in general).

How this works, when given a general outline, is simple enough to understand.

In America, real estate is bought, as a rule, on credit. Very rarely does someone collect a sufficient quantity of loose cash needed for such a purchase. We're talking, usually, about tens or hundreds of thousands of dollars. But even if such money were available it's not smart to freeze up these funds over a long period. It's much more lucrative to allow cash to circulate, either to invest it or to have it in the bank where it makes interest (although this by itself isn't very wise).

As a rule, you put cash down to cover 5-15 percent of the cost. The rest – mortgage. Banks make money off this, receiving on their money a specified yearly interest. At the same time a mortgage isn't only profitable for them.

When real estate grows in value, though that money which you layed down for the property is only a part of its value, you earn a 100 percent of the growth of the whole price on the real estate. For example, having bought a 100 thousand dollar home, you put down, in all, 10 thousand, and the rest you owe to the bank (mortgage). The whole 100 thousand dollars actually even grows in price. Having sold the house, at a new higher price, you pocket the difference between the new and old prices.

But this is still not all. The interest on the mortgage paid to the bank (in the mortgage payment is not only the interest but also a sum which is the consistent paying off of the original debt) and the real estate tax, are expenditures which the smart American legal system doesn't impose taxes on. Filling out your tax declaration, you put these sums in the expenditure section, in this way shrinking the overall sum you will pay in taxes.

Let's look this over as an example. We'll say that a yearly salary for a random American family is 50 thousand dollars. In 1990 the tax on such an income was 9,970 dollars. Let's also assume they have on their hands a 90 thousand dollars mortgage at an interest rate of 10 percent. Having paid to the bank 9 thousand dollars as interest on the mortgage and having paid 1 thousand in real estate tax, this family has legally lessened its tax burden by 10 thousand dollars. That is, now they only have to pay taxes on 40 thousand dollars, equalling 7,180 dollars in total. In such a way they "received" 2,790 dollars (9,970 minus 7,180). And if the price of the home grew in accordance with inflation, at 6 percent, then our family would have earned still another 6 thousand dollars. Thus the general revenue accrued from the house over a year is 8,790 dollars (6,000 plus 2,790). If they had rented this house or lived in a comparable apartment, rent, if they were lucky, would cost a minimum of 7 hundred dollars a month, meaning 8,400 dollars a year. For the benefit of living in their own home they parted with all of 1,210 dollars (10,000 minus 8,790).

Now we see why Americans given any opportunity to acquire a home of their own, do it fast. It's not coincidental that many Americans built up their wealth in exactly this way – real estate. But if it is profitable, why wouldn't everyone get into the real es-

Continued from Nos. 1,2,3,4/92

tate business? It turns out that not everywhere and always do things turn out as successfully as they did in the theoretical example. Of course the value of a home can rise, more than inflation, even quicker than in our example. Sometimes prices on homes grow not at 6 percent annually, but at 15-30 percent and higher. And then we're talking about a larger profit. But it also happens that the value of a home does so badly as to not only barely keep up with inflation, but to fall behind it, or even to fall in price.

Meanwhile, there exists a general rule, well known among specialists who are in this business, the so-called "three rules of real estate: location, location, location." It is difficult to disagree with these rules. Before beginning any deal related to real estate, one needs to study up on the circumstances of the location, the local legal code, and the long range tendencies for such issues. For example, the local governing body is preparing to declare a law increasing the minimum amount of land for an individual plot. This potentially means that in this region less plots will be on the market, causing each one of them to increase in price. This alone leads to an appreciation in the value of houses.

There are also separate micro-regions where real estate is more expensive. And the reverse is also true. But there is no assurance that this situation is stable. A person having lived in one place many years, notices all of a sudden, that he is practically living in a run-down little shack, while all around him grew, as if out of the ground, these expensive well-made houses. The micro-neighbourhood changed and the land increased in value. And his home likewise became more valuable. What is more is that with a relatively small expenditure he can raise the price of his home to be on a par with his neighbours (as frequently happens). Which he does right away.

Therefore, in financially strapped times, when Americans buy less homes, more homes are rebuilt and renovated. A process of investing in the existing houses, in one's own lodgings, takes place.

Many banks offer what is called, "a return mortgage." In essence, this means that the bank starts to pay to the debtor, when he reaches a specified age, his mortgage to buy the house back again from him, with the idea that after a certain number of years, the bank will own the house in full. The "return mortgage" is really its own form of a pension, which many seniors gladly participate in, as if "living off" in old age their home, their main (and sometimes even single) material possession left in life. The "return mortgage" illustrates the fact that investing in real estate is one of the best ways to assure your financial independence in America.

Naturally, real estate deals are not limited to the purchase of a private single family home. Some go even further and buy apartment buildings. This is a common form of earning a living off real estate. Can many allow themselves to be in such a business?

The landlord, where we rented our first apartment in America, turned out to be a Romanian. Due to his English hardly being adequate to explain things to me (his seventeen-year-old daughter did the translating) my interest was struck as to how long he had been in the country. It happened that it was his second year here. In the second year of arrival to buy a six-apartment house – that was beyond my wildest fantasies about America. I became intrigued: how much did he buy it for (later I learned that such questions are considered tactless in America). As it was, it cost 120 thousand dollars. I had only just found work, I received barely over 12 thousand a year. 120 thousand equalled my ten year salary.

Home owning

I decided that in all likelihood the Romanian was dealing narcotics. Although, not all hit it rich in this fashion. For example, twice a week he and his wife came by to sweep and vacuum the common stairs and corridors. When the plumbing broke in the kitchen, he came running with tools, fixed everything himself, cleaned up the whole mess, and put everything back in order. At every turn he was there to offer his assistance. One day I had to meet a friend at the airport, though at that time I still didn't have my own car. The Romanian offered to drive me there and to wait as long as necessary till my friend and I met up. I would have thought that anyone raking in hundreds of thousands of dollars in the drug trade would be of a different type. I visited him (the Romanian lived a few neighbourhoods away), and as it would turn out he lived modestly, to put it mildly, renting a small two room apartment.

The mystery of the Romanian disturbed me. I aimed to get to the bottom of it, and I grilled all my friends at hand with questions, but no one understood where I was coming from. "What's your problem? A guy decided to make his living by going into real estate, he became a home owner. You're free to go into some other business. What's the fuss over?" My friends' reactions made the question weigh down on me all the more. Could it be that such shady means of making a living are treated with indifference? In the end I attributed my lack of understanding to the language barrier.

Within a year the Romanian sold the house. As I learned (from him) – for 240 thousand bucks. I made an inner gasp and once again was struck by this second year immigrant. But I left out the details of his wheeling and dealing. As for me, I was accustomed from youth to obediently take off for work each morning, while never imagining that my means of existence wasn't the only path open to me to earn my bread and butter. Many years later (in general it took me a long time to grasp everything having to do with private initiative in the free market), I remembered the Romanian and tried intelligently to learn from him.

I knew that the Romanian's wife worked somewhere, the daughter picked up a job on the side (after school as a dishwasher in some restaurant) and he himself did the upkeep on his buildings. As I understand now, by the time that house was put up for sale, the Romanian had succeeded in some way, from various sources, to raise 6-7 thousand dollars.

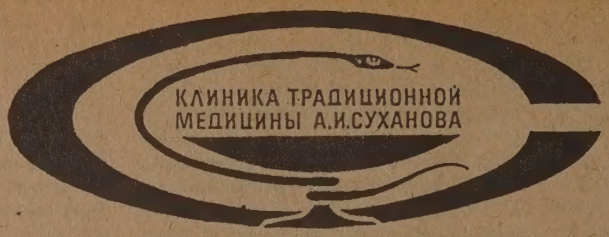
He put this money in an investment, having borrowed from the bank (mortgage!) at 8 percent interest (at the time this interest was considered high) an additional 114 thousand dollars. Six apartments every month sent him 275 dollars, 1,650 dollars in all. To the bank, at the 8 percent interest, he paid 760 dollars a month (114,000 multiplied by 0,08 and divided by 12 months). Which ends up meaning that he had around 900 dollars left per month, or close to 10 and a half thousand a year. Out of this he had to pay out around 3 thousand in real estate tax, plus 3 thousand I would think would be eaten up by simple repairs on his houses. In this way, on his 6 thousand dollar investment he earned in a year 4 and a half thousand, making 75 percent yearly on his invested capital.

All by itself it was a good deal. But the Romanian's good fortune didn't end there. Within the year, about which I'm telling, prices on apartment buildings in this neighbourhood unexpectedly doubled. To the Romanian it wasn't worth it to take a risk and wait for the value to go even higher (after all it could fall), and he immediately sold the house. Having invested 6 thousand he earned 130 thousand (240,000 minus 114,000, minus 4,500). (In reality a little less being that he had to shell out, likely, 5-6 percent of the sale price to a real estate broker and lawyer, if he used their services.)

In the proceeding years I met many owners of profitable apartment buildings. Among them I met no more Romanians, they were practically all Yugoslavians. They didn't see such incredible earnings, but rather peacefully went about earning their living. Luxurious apartment houses in richer neighbourhoods were out of reach for these business people. Usually only major companies own such buildings, with hired managers, mechanics, janitors, and door attendants. Companies owning several buildings use the services of a specialized management firm – a quite widespread form of business in America.

There are many types of real estate. Besides residences, there are also office buildings, wearhouses, factories, land, and hotels. The complete list would be long and diverse, but dealings with any of these forms of property are identical to the process described above.

(To be concluded)



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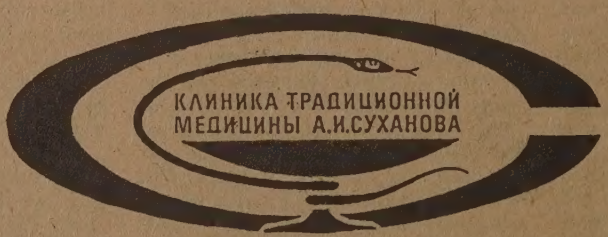

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